No. 01-1015-CFX Title: Victor Moseley and Cathy Moseley, dba Victor's Little Secret, Petitioners
v.
V Secret Catalogue, Inc., et al.

Docketed:
January 11, 2002 Court: United States Court of Appeals for the Sixth Circuit

Entry	Date	Proceedings and Orders
	Jan 2 2002	Petition for writ of certiorari filed. (Response due February 10, 2002)
	Jan 15 2002	Waiver of right of respondents V Secret Catalogue, et al. to respond filed.
	Jan 23 2002	DISTRIBUTED for Conference of February 15, 2002
	Jan 31 2002	Response requested.
	Mar 4 2002	Brief of respondents V Secret Catalogue Inc., et al. in opposition filed.
	Mar 19 2002	Reply brief of petitioners Victor Moseley and Cathy Moseley filed.
	Mar 20 2002	REDISTRIBUTED for Conference of April 12, 2002
	Apr 15 2002	Petition GRANTED. SET FOR ARGUMENT November 12, 2002. **********
	May 20 2002	Order extending time to file the joint appendix and petitioners' brief on the merits to and including June 24, 2002.
	Jun 24 2002	Brief amicus curiae of United States filed.
	Jun 24 2002	Brief of petitioners Victor Moseley and Cathy Moseley filed.
	Jun 24 2002	Joint appendix filed.
	Jun 24 2002	*Joint appendix in two volumes.
	Jun 24 2002	Brief amicus curiae of Malla Pollock filed.
	Jun 24 2002	Brief amici curiae of Public Knowledge, et al. filed.
	Jul 8 2002	Order extending time to file respondents' brief on the merits to and including August 23, 2002.
	Aug 14 2002	Brief amicus curiae of American Intellectual Property Law Association filed.
	Aug 16 2002	Brief amicus curiae of American Bar Association filed.
	Aug 20 2002	Brief amicus curiae of International Trademark Association filed.
	Aug 21 2002	Brief amicus curiae of Intellectual Property Law Professors filed.
	Aug 23 2002	Brief amici curiae of Best Western International,Inc.and Sheraton International filed.
	Aug 23 2002	Brief of respondents V Secret Catalogue, Inc., et al. filed.
	Aug 23 2002	Brief amicus curiae of Intellectual Property Owners Association filed.
	Aug 23 2002	Brief amicus curiae of Intel Corporation filed.
	Aug 23 2002	Brief amici curiae of Ringling Bros.-Barnum & Bailey Combined Shows, et al. filed.
	Sep 4 2002	Motion of the Solicitor General for leave to participate in oral argument as amicus curiae and for divided argument filed.
	Sep 17 2002	Record filed.
	Sep 23 2002	Reply brief of petitioners Victor Moseley and Cathy Moseley

No. 01-1015-CFX

Entry	Date	Proceedings and Orders
		filed.
	Sep 24 2002	CIRCULATED.
	Sep 30 2002	Record filed.
	Oct 7 2002	Motion of the Solicitor General for leave to participate in oral argument as amicus curiae and for divided argument GRANTED.
	Nov 12 2002	ARGUED.

(1)
Supreme Court, U.S.
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No. _____

In The

Supreme Court of the United States

VICTOR MOSELEY and CATHY MOSELEY,
d/b/a VICTOR'S LITTLE SECRET,

Petitioners,

v.

V SECRET CATALOGUE, INC.,
VICTORIA'S SECRET STORES, INC., and
VICTORIA'S SECRET CATALOGUE, INC.,

Respondents.

**On Petition For Writ Of Certiorari
To The United States Court Of Appeals
For The Sixth Circuit**

PETITION FOR WRIT OF CERTIORARI

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QUESTION PRESENTED FOR REVIEW

Whether the plain meaning of the operative phrase "causes dilution of the distinctive quality of the mark," read in pari materia with the definition of dilution as "the lessening of the capacity of a famous mark to identify and distinguish goods and services," requires objective proof of actual injury to the economic value of the famous mark (as opposed to a presumption of harm arising from a subjective "likelihood of dilution" standard) as a precondition to any and all relief under the Federal Trademark Dilution Act.

PARTIES TO THE PROCEEDING

Petitioners

Petitioners are Victor Moseley and Cathy Moseley, d/b/a Victor's Little Secret (of which they are co-owners and sole proprietors) having their principal office and place of business in the Western District of Kentucky. Petitioners were the Defendants in the District Court, and the Defendants-Appellants in the Sixth Circuit Court of Appeals.

Respondents

Respondents are a group of wholly-owned subsidiaries of Intimate Brands, Inc., a Delaware corporation. Respondent V Secret Catalogue, Inc. is a Delaware corporation having its principal office and place of business in Wilmington, Delaware. Respondent Victoria's Secret Catalogue, Inc. is a Delaware corporation having its principal office and place of business in Columbus, Ohio. Respondent Victoria's Secret Stores, Inc. is a Delaware corporation having its principal office and place of business in Columbus, Ohio. Respondents are "related compan[ies]" as that term is defined in Lanham Act § 45, 15 U.S.C. § 1127. Respondents were the Plaintiffs in the District Court, and the Plaintiffs-Appellees in the Sixth Circuit Court of Appeals.

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PETITION FOR WRIT OF CERTIORARI

Petitioners respectfully petition for a writ of certiorari to review the judgment of the United States Court of Appeals for the Sixth Circuit in this case.

OPINIONS AND ORDERS BELOW

The opinion of the Court Of Appeals (Appendix ("App."), *infra*, 1a-27a) is reported at 259 F.3d 464. The opinion and order of the District Court (App., *infra*, 28a-42a) is reported only at 54 U.S.P.Q.2d 1092. The order of the Court of Appeals denying a timely petition for rehearing en banc (App., *infra*, 42a), is unreported at present.

JURISDICTION

The judgment of the Court of Appeals was entered on July 30, 2001. App., *infra*, 1a. The Court of Appeals denied a timely petition for rehearing en banc on October 4, 2001. App., *infra*, 43a. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

Lanham Act Section 43(c)(1), 15 U.S.C. § 1125(c)(1), provides, in relevant part:

> The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an

> injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark, and to obtain such other relief as is provided in this subsection. . . .

Lanham Act Section 45, 15 U.S.C. § 1127, provides, in relevant part:

> *Dilution*. The term "dilution" means the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of – (1) competition between the owner of the famous mark and other parties, or (2) likelihood of confusion, mistake or deception.

STATEMENT OF THE CASE

Respondent V Secret Catalogue, Inc. is the record owner of the famous federally-registered trademark VICTORIA'S SECRET. V Secret Catalogue, Inc. licenses Respondents Victoria's Secret Catalogue, Inc. and Victoria's Secret Stores, Inc. to use the mark, which is used in the operation of retail stores and a mail catalogue business featuring alluring women's lingerie, and other clothing and accessories. Respondents also conduct fashion shows which are broadcast over the Internet, featuring scantily-clad models wearing Respondents' lingerie.[1]

[1] Indeed, after the record was closed in this case, Respondents were subjected to criticism for the titillating nature of their fashion shows, especially regarding the revealing "see-through" garments worn by their models. *See* "Lingerie Special Sparks Protest," United Press International, November 20, 2001 (available on LEXIS).

As just noted, Respondents are well-known for the attractive models who appear in the mail-order catalogues wearing the intimate apparel offered for sale. Moreover, their method of mail delivery is reminiscent of the "plain brown wrapper" traditionally reserved for less "respectable" items. Apparently concerned that the use of the VICTORIA'S SECRET mark indicates the type of item that some persons find offensive or embarrassing, Respondents ship telephone-ordered goods in boxes that display only the letters VSC rather than the VICTORIA'S SECRET mark.

In February 1998, Petitioners Victor and Cathy Moseley (the "Moseleys") opened a store called "Victor's Secret" in a shopping center in Elizabethtown, Kentucky. The Moseleys' signage and advertising incorporated a logo of an index finger pressed across a pair of lips (as if to say "shhhh"). In their business (consistent with their slogan "Everything for Romantic Encounters"), the Moseleys sell a wide variety of items, including lingerie, clothing and accessories, and adult novelties and videos. Nothing in the record indicates that the Moseleys have ever been accused by law enforcement officials of selling "illegal" or "obscene" items in their shop.

On February 25, 1998, counsel for Respondents sent the Moseleys a cease and desist letter alleging that the Moseleys' use of the "Victor's Secret" name (1) was "likely to cause confusion" with the VICTORIA'S SECRET

mark by suggesting a connection or association between the parties, and (2) was "likely to dilute the distinctiveness" of the VICTORIA'S SECRET mark. On March 3, 1998, the Moseleys changed the name of their shop to "Victor's Little Secret" also used in conjunction with the "shhhh" logo. Nevertheless, on June 22, 1998, Respondents filed suit against the Moseleys in the United States District Court for the Western District of Kentucky. Their complaint included claims for trademark infringement, unfair competition, and, of particular relevance here, trademark dilution under the Federal Trademark Dilution Act ("FTDA"), codified as Lanham Act Section 43(c) (15 U.S.C. § 1125(c)).

After discovery, both Petitioners and Respondents moved for summary judgment. The District Court held that, based on the facts of record, no likelihood of confusion existed as a matter of law, and on that basis dismissed all of Respondents' claims except the FTDA claim. (App., *infra*, 36a-37a). In concluding that likelihood of confusion did not exist, the District Court held that when viewed in context, little similarity exists between "Victor's Little Secret" and VICTORIA'S SECRET. (App., *infra*, 34a). However, the District Court went on to hold that "Victor's Little Secret" was "sufficiently similar" to VICTORIA'S SECRET to cause dilution both by "blurring" and by "tarnishment." (App., *infra*, 39a).

The District Court provided scant analysis of the "blurring" issue, but appeared to find dilution by "blurring" solely because of degree of similarity of the parties' marks. (App., *infra*, 38a-39a). Further, the District Court determined that Petitioners' mark had a "tarnishing

effect" upon the VICTORIA'S SECRET mark because Petitioners' inventory, albeit mostly lingerie (the same goods sold under Respondents' mark), also included some adult videos, "sex toys" and "adult novelties." (App., *infra*, 39a). Without citation to and without discussion of any record evidence, the District Court concluded that Petitioners' inventory, though "not . . . unsavory to all," had a "more risque" quality that "widely differentiate[d]" it from that of Respondents. (App., *infra*, 39a). Based on that "differentiat[ion]," the District Court enjoined Petitioners from using the designation Victor's Little Secret "or any similar mark" because in its view the designation "causes dilution of the distinctive quality" of the VICTORIA'S SECRET mark. (App., *infra*, 41a).

Petitioners appealed the District Court's decision to the Court of Appeals for the Sixth Circuit; Respondents did not cross-appeal. There, a three-judge panel confronted the issue whether, as a prerequisite to any relief under the FTDA, the plaintiff must prove that the accused mark has caused actual economic harm to the senior mark's economic value as a product-identifying and advertising agent. (App., *infra*, 3a, 15a). The Sixth Circuit panel, specifically acknowledging that a "split" exists among the Circuit Courts that have addressed the issue, expressly rejected the rationale explicated by the Fourth Circuit in *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449 (4th Cir.), *cert. denied*, 528 U.S. 923 (1999), which requires proof of actual economic harm to the owner of the senior mark. (App., *infra*, 23a-25a). Instead, the panel followed the Second Circuit's rationale in *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208 (2d Cir. 1999), which merely requires

proof of "likelihood of dilution" and indulges in a presumption that there will be future harm to the senior mark. (App., *infra*, 25a). Thus the Sixth Circuit panel affirmed the injunction based on the District Court's bare findings of dilution by blurring and tarnishment. (App., *infra*, 26a-27a).

Petitioners filed a timely petition for rehearing en banc. Under the Sixth Circuit Rules, the petition was circulated to the full court. However, the court declined even to take a vote on whether to rehear the case en banc. The three-judge panel then declined to reconsider its opinion, and issued an order denying rehearing on October 4, 2001. (App., *infra*, 43a).

REASONS FOR GRANTING THE PETITION

I. The Decision Below Exacerbates A Well-Defined And Practically Important Conflict Among The Courts of Appeals.

On January 16, 1996, the President signed the Federal Trademark Dilution Act ("FTDA") into law. Prior to the FTDA, the Lanham Act addressed trademark registration and infringement, as well as false advertising and unfair competition, all based on the concept of misrepresentation and historically derived from the tort of deceit. The FTDA added a new type of protection for "famous" trademarks, akin to protection from trespass to property, by establishing a cause of action entitling the owner of such a mark to obtain relief against another person's commercial use of a mark or trade name that "causes dilution" of the distinctive quality of the famous mark.

This case involves a 3-2 split on a critical issue, the determination of which is potentially dispositive in this and many other cases arising under the FTDA: whether proof of actual injury to the economic value of a famous mark attributable to dilution (as opposed to a presumption of harm arising from a mere "likelihood of dilution") is a precondition to any and all relief under the FTDA. Two Courts of Appeals hold that such proof is required; three (including the Sixth Circuit's panel decision) hold that such proof is not required. This issue arises in every case under the FTDA because it requires interpretation of the essential statutory phrase "causes dilution" in order to decide whether relief is warranted. Resolution of this issue will result in either an objective – and thus more predictable – outcome for dilution cases under an "actual harm" standard; or a more subjective outcome based on mere "likelihood of dilution" – the practical effect of which is to grant a trademark owner a monopoly of use for certain "famous" words of the English language. Hence, the issue is currently the subject of a palpable and particularly important split among the Circuit Courts, a split which is ripe for resolution.

Two Courts of Appeals hold that objective proof of actual injury to the economic value of a famous mark (resulting from actual, consummated dilution) is a precondition to any and all relief under the FTDA:

(1) The Fourth Circuit. In *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449 (4th Cir.), *cert. denied*, 528 U.S. 923 (1999), the court held as follows:

" '[D]ilution' under the federal Act consists of (1) a sufficient similarity of marks to evoke in consumers a mental association of the two that (2) *causes* (3) *actual harm* to the senior marks' [sic] economic value as a product-identifying and advertising agent." *Id.* at 453 (emphasis added).

"[T]he federal Act proscribes and provides [a] remedy only for *actual, consummated dilution* and not for the mere 'likelihood of dilution' proscribed by the state statutes." *Id.* at 458 (emphasis added).

"[W]e therefore interpret the Act . . . as requiring for proof of 'dilution' (1) a sufficient similarity between the junior and senior marks to evoke an "instinctive mental association" of the two by a relevant universe of consumers which (2) is the *effective cause* of (3) *an actual lessening of the senior mark's selling power*, expressed as 'its capacity to identify and distinguish goods or services.' " *Id.* at 458 (emphasis added).

"[W]e agree with the district court that to establish dilution of a famous mark under the federal Act requires proof that (1) a defendant has made use of a junior mark sufficiently similar to the famous mark to evoke in a relevant universe of consumers a mental association of the two that (2) *has caused* (3) *actual economic harm* to the famous mark's economic value by lessening its former selling power as an advertising agent for its goods or services." *Id.* at 461 (emphasis added).

(2) The Fifth Circuit. In *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658 (5th Cir. 2000), the court held as follows:

"As an issue of first impression in this Circuit, we endorse the Fourth Circuit's holding that the FTDA requires proof of actual harm *since this standard best accords with the plain meaning of the statute.*" *Id.* at 670 (footnote omitted) (emphasis added).

Three Courts of Appeals hold that future harm to a famous mark (presumably resulting from a mere "likelihood" of dilution) is sufficient for relief under the FTDA:

(1) The Second Circuit. In *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208 (2d Cir. 1999), the court expressly rejected the Fourth Circuit's seminal holding on the issue, preferring to hold as follows:

"Relying on a recent decision by the Fourth Circuit, [defendant] . . . asserts that proof of dilution under the FTDA requires proof of an 'actual, consummated harm.' [*citing Ringling Bros.*] We reject the argument *because we disagree with the Fourth Circuit's interpretation of the statute.*" *Id.* at 223 (emphasis added).

"*Notwithstanding the use of the present tense in 'causes dilution,'* it seems plausibly within Congress's meaning to understand the statute as intending to provide for an injunction to prevent the harm before it occurs." *Id.* at 224 (emphasis added).

"[W]e read the statute to permit adjudication granting or denying an injunction, whether at the instance of the senior user or the junior seeking declaratory relief, *before the dilution has actually occurred.*" *Id.* at 224-25 (footnote omitted) (emphasis added).

(2) **The Seventh Circuit.** In *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456 (7th Cir. 2000), the court held as follows:

> "As a threshold issue, the parties dispute whether the 'causes dilution' element can be satisfied by evidence of a mere likelihood of dilution, or whether proof of actual dilution is required. *The legislative history of the Act does not specifically address this question, and the circuit courts to have considered it are divided. Compare* [*Westchester Media, supra*] (requiring proof of actual harm) *and* [*Ringling Bros., supra*] (same) *with* [*Nabisco, supra*] (likelihood of dilution sufficient)." *Id.* at 466-67 (emphasis added).
>
> "We . . . side with the Second Circuit and hold that *proof of a mere 'likelihood of dilution'* is sufficient to satisfy the 'causes dilution' element of [plaintiff's] case." *Id.* at 468 (emphasis added).

(3) **The Sixth Circuit.** In *V Secret Catalogue, Inc. v. Moseley*, 259 F.3d 464 (6th Cir. 2001), the court held as follows:

> "[W]e conclude that the Second Circuit has developed standards that hew most closely to the Act and [apply] that court's analysis to the undisputed facts in this case." *Id.* at 466.
>
> "*Despite the Fourth Circuit's somewhat persuasive arguments*, we conclude that the [Second Circuit's] *Nabisco* test both tracks the language of the statute and follows more closely Congress's intent in enacting the FTDA." *Id.* at 475.
>
> "Having determined to follow the *Nabisco* decision, and thus *to allow inference of likely harm to the senior mark instead of requiring actual proof*, we must now look to the other elements of the *Nabisco* test's definition of dilution." *Id.* at 476 (emphasis added).

The Courts of Appeals are thus divided three[2] to two on the issue whether proof of "actual harm" to the selling power of the mark is required for this and future FTDA cases. Resolution of this issue would significantly define the scope of permissible claims under the FTDA. The intervention of this Court is essential so that, going forward, the lower courts can discern and businesses can understand the circumstances under which relief may be granted under the FTDA.

II. Although This Court Has Shown Significant Interest in Federal Trademark/Trade Dress Law Over The Past Decade, This Court Has Never Interpreted Any Aspect Of The FTDA, Which Has A Scant Legislative History.

Over the past decade, this Court has expressed a great deal of interest in resolving questions of interpretation arising under the Lanham Act in its modern form, including the major modifications wrought by the Trademark Law Revision Act of 1988. *See TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23 (2001) (assessing trade dress protection for design on which patents had expired); *Wal-Mart Stores, Inc. v. Samara Bros.*, 529 U.S. 205

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[2] The Seventh Circuit's *Eli Lilly* opinion mentioned in passing a dissenting opinion in a Third Circuit case, which dissenting opinion suggested that the Third Circuit had implicitly joined the *Nabisco* side of the circuit split. *See Eli Lilly*, 233 F.3d at 467 (*citing Times Mirror Magazines, Inc. v. Las Vegas Sports News, L.L.C.*, 212 F.3d 157, 179 n.11 (3d Cir. 2000)).

(2000) (no inherent distinctiveness for unregistered trade dress embodying product designs); *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159 (1995) (registration of color-only trademarks permissible); *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992) (inherently distinctive trade dress protectable against infringement without proof of secondary meaning). Now, the issue of federal trademark dilution, under the most significant post-1988 amendment to the Lanham Act, is worthy of this Court's attention.

The FTDA was not the first attempt of Congress to enact a federal trademark dilution statute. In 1988, over forty years after the first state dilution statute had been enacted (in Massachusetts in 1947), Congress considered, but after much debate, declined to pass a provision similar to the FTDA. By contrast, in 1996 the FTDA legislation was enacted quickly in the House of Representatives and the Senate, without apparent controversy. Only the House of Representatives issued a report on its version of the bill. The Senate held no hearings on the legislation, took up the House bill on a suspension of the rules, and passed the House bill on a voice vote without debate. Unfortunately, the haste with which Congress acted has led to significant controversy over interpretation of the statute.

Accordingly, the FTDA's scant legislative history has provided little insight into Congress' intent in passing the FTDA. Indeed, some courts have been reduced to relying upon floor statements made in the House and Senate prior to enactment of the statute; such statements hardly reflect a comprehensive effort to explain the statutory language Congress employed. Very little, if any, of the

legislative history provides any insight into the critical elements of the federal "dilution" cause of action. As discussed in Part III herein, "Dilution" is the only critical term of art which Congress even sought to define in the FTDA, yet its definition is inextricably intertwined with other statutory language which Congress left undefined.

In the almost six full years since the effective date of the FTDA, this Court has not had the occasion to interpret any aspect of the statute. As a result, the lower courts have been left to discern for themselves numerous issues arising under the FTDA. Because the courts cannot confidently determine the meaning of a statute when its authors have left behind a dearth of guidance, they of necessity have resorted to various methods of statutory interpretation. The approach employed inevitably will be influenced by the courts' comfort (or discomfort) with the legal result in a given case. As a result, federal dilution cases have been – and will continue to be – won and lost, solely depending upon how each court chooses to divine the intent of Congress.

The danger in this rationale adopted by the Sixth Circuit is that there is no *predictability* to the application of the law – *unless* this Court adopts the objective standard established by the Fourth Circuit, and now advocated by Petitioners.

III. The Sixth Circuit's Interpretation Of The FTDA's Operative Phrase "causes dilution of the distinctive quality of the mark" To Require Proof Only Of A "Likelihood" Of Dilution (Rather Than Proof Of Actual Harm Resulting From Dilution) Violates This Court's "Plain Meaning" Rule Of Statutory Interpretation And Invites The Mischief Of Subjective Jurisprudence.

To properly evaluate whether actual harm to the "selling power" of a famous mark is an essential element of relief under the FTDA, it is necessary to consider the relationship between (1) the legal concept of dilution as defined in the FTDA, (2) the harm sought to be avoided by the FTDA, and (3) the proof of that harm necessary for relief under the FTDA. This determination is of critical importance in maintaining an appropriate balance between free competition and proper protection of trademarks. In the *Ringling Bros.* case, the Fourth Circuit engaged in an extensive consideration of these matters.

A. The Fourth Circuit, In A Carefully Considered Opinion, Properly Applied The Plain Meaning Of The FTDA's "causes dilution" Phrase After Considering Key Differences Among The Initial Concept Of "Dilution," The Text Of Existing State Dilution Statutes, And The FTDA's Actual Language.

In *Ringling Bros.*, the Fourth Circuit held that "dilution" under the FTDA consists of a sufficient similarity of marks to evoke in consumers a mental association of those marks *that causes actual harm* to the senior mark's economic value as a product-identifying and advertising

agent. 170 F.3d at 453. Though the Fourth Circuit acknowledged that this meaning did not "leap fully and immediately from the statutory text," *id.*, the court viewed it as the necessary meaning of the FTDA's critical provisions after engaging in a careful and comprehensive analysis of the history of dilution law, and of the differences between the language employed in state dilution statutes and the FTDA. In so doing, the Fourth Circuit properly applied the plain meaning of the FTDA's "causes dilution" phrase in determining the proof required for relief under that statute.

Characterizing the legislative record as "quite meager," *id.*, the Fourth Circuit considered the broader background from which the basic concept emerged and evolved in state and federal trademark law. The concept of trademark "dilution" (as distinct from traditional infringement) is attributed to Prof. Frank I. Schechter, who authored a law review article entitled *The Rational Basis of Trademark Protection*, 40 Harv. L. Rev. 813 (1927) (hereinafter "Schechter"). Prof. Schechter argued that "the preservation of the uniqueness of a trademark . . . constitutes the only rational basis for its protection," and that "dilution" of a trademark's uniqueness (from which it derived its advertising value and selling power) should be prohibited. *Ringling Bros.*, 170 F.3d at 454 (*citing* Schechter at 831). Prof. Schechter's proposal was grounded in the notion that the "real injury" caused by concurrent use of truly "unique" marks was not customer confusion, but rather, "the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use upon non-competing goods." *Id.* (*citing* Schechter at 825). The Fourth Circuit

explained that Prof. Schechter's "radical" proposal, if fully adopted, would create property rights in gross in so-called "unique" marks, and moreover, that the proposal has *never* been legislatively adopted by any jurisdiction " . . . in anything approaching that extreme form." *Id.* at 454.

By the time the FTDA was enacted in 1996, roughly half of the fifty states[3] had enacted a statute prohibiting trademark dilution; of these, most (if not all) were based upon the Model State Trademark Bill (1964) (*reprinted in* 3 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION [hereinafter "MCCARTHY"] § 22:8 (4th ed. 1998)). As the Fourth Circuit explained, these state statutes typically had common features which are relevant to proper interpretation of the FTDA: (1) they defined the category of marks protected against dilution *solely* by reference to their "distinctive quality"; (2) they expressly proscribed not just actual, consummated dilution, but *also* "likelihood of dilution"; (3) by containing no express reference to harm to the senior mark's economic value, they defined "dilution" in terms susceptible to interpretation as consisting *solely* of a loss of the mark's distinctiveness; and (4) they provided *only* injunctive relief. *Id.* The Fourth Circuit reasoned that the state legislatures evidently were uncomfortable with enacting Prof. Schechter's radical proposal into law, as evidenced by the fact that *none* of the state dilution statutes

[3] Kentucky, where this action arose, does not have a dilution statute. Therefore, this case presents purely federal issues under the FTDA.

employed Prof. Schechter's specific formulation of dilution law. *Id.* at 456.

The Fourth Circuit concluded that although the "sparse" congressional record contains no reference whatsoever to these state statutes, Congress necessarily must have considered those statutes when, roughly 50 years after a state legislature had first enacted a "dilution" concept into state trademark law (and almost 70 years after the concept was first proposed by Prof. Schechter), it enacted the first federal dilution statute, the FTDA. In other words, Congress worked against the background of Prof. Schechter's initial concept of "dilution," the states' legislative adoption of modified forms of that concept, and the courts' reactions to that state legislation. The Fourth Circuit considered the "most critical aspect" of this background to be the experience of courts in interpreting and applying the state dilution statutes. *Id.* at 454.

In contrast to Prof. Schechter's approach, the Fourth Circuit explained that state statutes typically proscribed use of a mark that created a "likelihood of . . . dilution of the distinctive quality of a [senior] mark." *Id.* at 456 (*quoting* Model State Trademark Act[4] § 12 (1964), *reprinted in* 3 MCCARTHY § 22:8 (4th ed. 1998)). The Fourth Circuit then considered this history of state dilution statutes in order to interpret the FTDA. Because the FTDA proscribes conduct that "causes dilution" rather than the

[4] The Model State Trademark Bill, noted *supra*, has also been referenced by Prof. McCarthy as the "Model State Trademark Act," which explains the different title used by the Fourth Circuit.

mere "likelihood of dilution" proscribed by the state statutes, and because the FTDA specifically defines dilution as "the lessening of the capacity of a famous mark to identify and distinguish goods or services" rather than the mere loss of "distinctiveness" itself, the Fourth Circuit concluded that the FTDA makes plain that the end harm at which it is aimed is loss of a mark's selling power itself (in other words, "the capacity" of a famous mark to identify and distinguish goods or services). *Id.* at 458. Accordingly, the Fourth Circuit interpreted the FTDA to require proof of "an actual lessening of the senior mark's selling power." *Id.*

The Fourth Circuit acknowledged that its interpretation of the FTDA was narrower in scope than that generally afforded to state-law dilution claims. *Id.* at 458-59. However, the Fourth Circuit concluded that this result was intended by Congress because of the differences in critical statutory provisions between the FTDA and the state statutes. *Id.* at 459. The Fourth Circuit reasoned that the contrary interpretation would permit both cause and harm to be judicially presumed as facts resulting solely from sufficient similarity of the two marks at issue, a result analogous to the substantively different "likelihood of dilution" standard under state dilution statutes. *Id.* Furthermore, to interpret the FTDA as protecting (as in Prof. Schechter's sweeping formulation) the senior mark's "distinctiveness" in the narrow sense of its singularity as a word symbol, would presume an unexpressed intention by Congress to create property rights in gross, unlimited in time, in "famous" trademarks. *Id.*

B. The Second Circuit's Interpretation Of The FTDA's Operative Phrase "causes dilution" As The Equivalent Of "Likelihood Of Dilution," Is Not Grounded In The Statutory Text Or Legislative History Of The FTDA, But Rather In That Court's Concerns Regarding The Proof Required By The Fourth Circuit's *Ringling Bros.* Decision.

In *Nabisco*, the Second Circuit considered but rejected the Fourth Circuit's holding that proof of dilution under the FTDA requires proof of an "actual, consummated harm." 191 F.3d 223 (*quoting Ringling Bros.*, 170 F.3d at 464). Notwithstanding the use of the present tense in the FTDA's operative phrase "causes dilution," the Second Circuit concluded that "it seems plausibly within Congress's meaning to understand the statute as intending to provide for an injunction to prevent the harm before it occurs." *Id.* at 224. The Second Circuit reached this conclusion despite the absence of statutory text referring to "likelihood of dilution." Moreover, the Second Circuit, in divining Congress' intended "meaning," overlooked the fact (later acknowledged by the Seventh Circuit in *Eli Lilly*, 233 F.3d at 467, which expressly followed *Nabisco*) that the legislative history of the FTDA does *not* specifically address whether the "causes dilution" requirement can be satisfied by evidence of a mere likelihood of dilution.

The Second Circuit criticized the Fourth Circuit's requirement for proof of actual dilution (*see Ringling Bros.*, 170 F.3d 457, 464-65) in the form of evidence of actual loss of revenues or a skillfully constructed consumer survey. *Id.* at 224. Rejecting this standard as "an

arbitrary and unwarranted limitation on the methods of proof," *id.* at 223, the Second Circuit preferred that senior users be allowed to rely upon "persuasive circumstantial evidence of dilution of the distinctiveness of their marks without being obligated to show lost revenue or engage in an expensive battle of surveys." *Id.* at 224. The Second Circuit feared that proof of diminished revenues (or of causation of such diminished revenues attributable to dilution of the mark) might never be attained by a senior user with a successful mark. *Id.* at 223-24. The Second Circuit also criticized consumer surveys as "expensive, time-consuming and not immune to manipulation." *Id.* at 224. However, such criticism ignores the fact that consumer surveys are routinely used in trademark infringement cases brought under the Lanham Act. *See* 3 JEROME GILSON, TRADEMARK PROTECTION AND PRACTICE, § 8.11[1]. Moreover, if the FTDA's definition of dilution cannot be measured empirically, one might question why Congress included such statutory language in the first place. But that is precisely the point here. Congress *did* include such language in the statute, and under this Court's decisions, the lower courts are required to give meaning to that statutory language.

Although the Second Circuit's *Nabisco* decision (and the Seventh and Sixth Circuit decisions adopting that standard) honors Congress' decision to create a right of action for trademark dilution, it disavows and oversteps the boundaries Congress specified in the statute. Even if the Seventh Circuit is ultimately proved correct that "proof of the plaintiff's case [is] all but impossible" under the FTDA (*see Eli Lilly*, 233 F.3d at 468), it is the role of

Congress, not the courts, to rectify the statutory language.

The Second Circuit also criticized the implication of the Fourth Circuit's decision that the junior user must already be established in the marketplace before the senior user can seek an injunction. 191 F.3d at 224. The Second Circuit (without any reliance on legislative history) considered such a reading to depend on "excessive literalism" to "defeat the intent" of the FTDA, which it construed as "intending to provide for an injunction to prevent the harm before it occurs." *Id.* According to the Second Circuit, the Fourth Circuit's view would subject the senior user to "uncompensable injury" because the statute could not be invoked until injury had occurred, at which time the senior user could not be compensated in damages absent a finding of willfulness pursuant to 15 U.S.C. § 1125(c)(2). *Id.* But this view again overlooks the manner in which Congress drafted the statute.

Plainly, under the FTDA, *no* damages are available absent willful conduct. If the defendant's conduct "causes dilution," an injunction may issue. Otherwise, no cause of action exists. Given the newly-created federal rights embodied in the FTDA, which expanded the scope of trademark rights under the Lanham Act, it is not surprising that Congress employed language limiting the available relief. Under the Lanham Act and common law, actual trademark confusion is not required for relief from trademark infringement; instead, only a "*likelihood* of confusion" is required. Though the phrase "likely to cause confusion" appears elsewhere in the text of the Lanham

Act, *see, e.g.*, 15 U.S.C. § 1114(1) (infringement of registered trademark) *and* 15 U.S.C. § 1125(a)(1)(A) (false designation of origin), Congress did not choose for the FTDA any language parallel to the "likelihood of confusion" standard. Instead, Congress used the present tense phrase "causes dilution." Thus the Second Circuit's "likelihood of dilution" standard, and the harm that is presumed to flow upon such a finding, is a violation of this Court's "plain meaning" rule, which only invites future mischief in the form of subjective jurisprudence.

C. The Sixth Circuit Ignored This Court's "Plain Meaning" Rule Under Which The FTDA's Operative Phrase "causes dilution" Renders Inappropriate Any Presumption Of Harm Resulting From The Mere Use Of A Designation Similar To A Famous Trademark.

This Court has recently reaffirmed the well settled principle that "where Congress includes particular language in one section of a statute but omits it in another section of the same Act, it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion." *Duncan v. Walker*, 533 U.S. 167, ___ , 121 S. Ct. 2120, 2125 (2001) (*quoting Bates v. United States*, 522 U.S. 23, 29-30 (1997)). The Fourth Circuit heeded this principle and gave effect to the plain meaning of the operative phrase "causes dilution," as a predicate to determining that proof of actual harm to a mark's selling power is required for relief under the FTDA. The Fourth Circuit did not do so in a vacuum. Furthermore, the court carefully considered the history of the "dilution" concept and concluded, in essence, that

Congress was not cavalier in utilizing the operative phrase "causes dilution" in the FTDA. Thus there was no legitimate reason to resort to the methods used by the Second Circuit (later adopted by the Sixth Circuit) purportedly to rescue the statute from an effect unintended by Congress.

The Second Circuit, by asserting that the Fourth Circuit's analysis "depends on *excessive literalism* to defeat the intent of the statute," 191 F.3d at 224 (emphasis added), impliedly refused to apply the plain meaning rule to the FTDA, apparently due to its concerns regarding the ability of plaintiffs to meet the Fourth Circuit's proof requirement. Yet the Sixth Circuit, at the same time it found the Fourth Circuit's reasoning "somewhat persuasive," rejected the Fourth Circuit's reasoning, holding instead that the Second Circuit's test "both tracks the language of the statute and follows more closely Congress's intent in enacting the FTDA." 259 F.3d at 475. As discussed *supra*, the standard adopted by the Sixth Circuit is *not* contained in the statute itself. Indeed, neither the Second Circuit nor the Sixth Circuit applied this Court's "plain meaning" rule of statutory construction. Instead, they applied "contextual factors" to reach their results.

There is, however, no doubt that this Court prefers and requires adherence to the plain meaning rule when interpreting the Lanham Act. When called upon to interpret the Lanham Act (prior to its amendment by the FTDA), this Court clearly stated that "[s]tatutory construction must begin with the language employed by Congress and the assumption that the ordinary meaning

of that language accurately expresses the legislative purpose." *Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 194 (1985). Indeed, the Court has stated: "We do not start from the premise that this language is imprecise. Instead, we assume that in drafting this legislation, Congress said what it meant." *United States v. LaBonte*, 520 U.S. 751, 757 (1997).

The Second Circuit (and the Sixth Circuit, below) strayed from this rule by employing "contextual factors" and by presuming that the language Congress employed must have been imprecise or unintended, evidently because of their apparent discomfort with the outcome of the Fourth Circuit's straightforward application of the FTDA's operative phrase "causes dilution." If this Court is to ensure consistent, objective, and fair application of the FTDA by the lower courts, intervention is necessary to avoid further incursions on the role of Congress in defining the standards by which trademark owners can seek relief under Congress' newly-established cause of action for federal dilution.

CONCLUSION

Both the District Court and Court of Appeals clearly were uncomfortable with Petitioners' business, legitimate though it is. The District Court subjectively (and without a developed record) considered Petitioners' goods "risque" though "not unsavory to all" consumers. The Court of Appeals likewise moralized against Petitioners, identifying their business, which primarily features lingerie items, with the sale of "sex toys and lewd coffee mugs."

Accordingly, Respondents' dilution claim was upheld without proof that Petitioners' use of their business name "causes dilution" of Respondents' mark. This result, which displaced this Court's emphatic preference for objective, "plain meaning" interpretations of statutory enactments in favor of the Second Circuit's subjective standard, is precisely the outcome-based jurisprudence which federal statutes are supposed to avoid.

Though the Sixth Circuit Court of Appeals' decision certainly is ill-founded, one cannot discount the challenge which that court and others have faced in light of the veritable bread-crumb trail which Congress left behind its enactment of the FTDA. The current split among the Circuits presents a conflict between an objective standard (the Fourth Circuit's standard) and a subjective standard (the Sixth/Second Circuit standard) for application of the FTDA. Only this Court can authoritatively face and resolve, once and for all, the quandary which Congress created in the FTDA. Accordingly, the petition for a writ of certiorari should be granted.

Respectfully submitted,

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ELECTRONIC CITATION: 2001 FED App. 0247P (6th Cir.)
File Name: 01a247 p.06

UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

V SECRET CATALOGUE, INC.,	)	
VICTORIA'S SECRET STORES,	)	
INC., and VICTORIA'S SECRET	)	No. 00-5320
CATALOGUE, INC.,	)	
Plaintiffs-Appellees,	)	
	)	
v.	)	–
	)	
VICTOR MOSELEY and CATHY	)	
MOSELEY, d/b/a VICTOR'S	)	
LITTLE SECRET,	)	
Defendants-Appellants.	)	

Appeal from the United States District Court for the Western District of Kentucky at Louisville.
No. 98-00395 – Charles R. Simpson III, Chief District Judge.

Argued: June 14, 2001

Decided and Filed: July 30, 2001

Before: JONES, DAUGHTREY, and COLE, Circuit Judges.

ARGUED: Don A. Pisacano, RAMBICURE, MILLER & PISACANO, Lexington, Kentucky, for Appellants.

Frank J. Colucci, COLUCCI & UMANS, New York, New York, for Appellees.

ON BRIEF: Don A. Pisacano, RAMBICURE, MILLER & PISACANO, Lexington, Kentucky, for Appellants.

Frank J. Colucci, COLUCCI & UMANS, New York, New York, for Appellees.

OPINION

MARTHA CRAIG DAUGHTREY, Circuit Judge. Defendants Victor and Cathy Moseley, d/b/a Victor's Little Secret, appeal the district court's grant of summary judgment to the plaintiffs, V Secret Catalogue, Inc., Victoria's Secret Stores, Inc., and Victoria's Secret Catalogue, Inc. (collectively "Victoria's Secret"), on the ground that the Moseleys' use of the name "Victor's Little Secret" for their lingerie and adult toy business constitutes trademark dilution under the Federal Trademark Dilution Act, 15 U.S.C. § 1125(c) (2000). The district court granted summary judgment to the Moseleys on federal trademark infringement claims brought by Victoria's Secret, finding that the company had not provided sufficient evidence to establish a likelihood of confusion between the two marks. However, the district court did find that the Victor's Little Secret mark both blurred and tarnished the Victoria's Secret mark under the Federal Trademark Dilution Act (FTDA or "the Act") and, therefore, enjoined the

Moseleys from making further use of the Victor's Little Secret mark.

On appeal, the defendants contend that entry of summary judgment resulted from the district court's faulty analysis of the "dilution" question, when reviewed in light of the leading case of *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208 (2d Cir. 1999), and from the court's failure to require proof of actual economic loss, as required by *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. Of Travel Dev.*, 170 F.3d 449 (4th Cir. 1999). To the extent that these two recent cases are not entirely consistent in their analysis of the FTDA's requirements, we conclude that the Second Circuit has developed standards that hew most closely to the Act and, applying that court's analysis to the undisputed facts in this case, we conclude that the district court did not err in granting summary judgment to Victoria's Secret on the trademark dilution claim. We therefore affirm the district court's judgment.

PROCEDURAL AND FACTUAL BACKGROUND

The facts, as considered by the district court and uncontested by the parties, are as follows:

> Plaintiff V Secret Catalogue, Inc., is the record owner of the "Victoria's Secret" mark, which has been registered in the United States Patent and Trademark Office since January 20, 1981. V Secret Catalogue licenses Plaintiff Victoria's Secret Catalogue, LLC and Plaintiff Victoria's Secret Stores, Inc. to use the "Victoria's Secret" mark. Victoria's Secret sells a complete line of

women's lingerie, as well as other clothing and accessories.

Victoria's Secret Stores operates over 750 stores, and Victoria's Secret Catalogue distributes 400 million copies of the Victoria's Secret catalog each year, including 39,000 in Elizabethtown, Kentucky, where Defendants' store is located. Victoria's Secret's products are also sold over the Internet. Victoria's Secret has two stores in Louisville, Kentucky, within 60 miles of Defendants' store. One store has been open since November 16, 1982; the other since April 24, 1985. In 1998, Victoria's Secret spent over fifty-five million dollars on advertising its products. According to a recent survey, Victoria's Secret is rated as the ninth most famous brand in the apparel industry.

> In February, 1998, Defendants Victor and Cathy Moseley opened "Victor's Secret," a store in a strip mall in Elizabethtown selling a wide variety of items, including men's and women's lingerie, adult videos, sex toys and "adult novelties." The Moseleys assert that they were not aware of Victoria's Secret's catalog or stores until they received a cease and desist letter from counsel for Victoria's Secret on February 25, 1998. The Moseleys subsequently changed the name of their store to "Victor's Little Secret."

Not finding the addition of "Little" to the Victor's Secret mark sufficient to quell its concerns, Victoria's Secret brought suit against the Moseleys in district court, claiming federal trademark infringement, unfair competition under Section 43(a) of the Trademark Act, violation of the Federal Trademark Dilution Act, and common law

trademark infringement and unfair competition. Both parties filed motions for summary judgment.

Considering the list of eight factors established in *Frisch's Restaurants, Inc., v. Elby's Big Boy of Steubenville, Inc.*, 670 F.2d 642, 648 (6th Cir. 1982), the district court found that the Moseleys were entitled to summary judgment on Victoria's Secret's federal infringement claims, because Victoria's Secret had not presented evidence sufficient to create a genuine issue of material fact that a likelihood of confusion existed between the two marks. That ruling is not before us on appeal.

Instead, we are asked to reverse the district court's grant of summary judgment on Victoria's Secret's Federal Trademark Dilution Act claim. In making its ruling, the district court first noted that unlike the standards that must be met to state an infringement claim, "dilution can occur even where the products are not in competition and no likelihood of confusion is possible." To prove a dilution claim, the district court found that the Act's plain language requires a plaintiff to show that "1) its mark is famous, 2) the defendant is making a commercial use of its mark in commerce, 3) the defendant's use of its mark came after the plaintiff's mark became famous, and 4) the defendant's use of its mark dilutes the quality of plaintiff's mark." (Quoting *Panavision Int'l, L.P. v. Toeppen*, 141 F.3d 1316, 1324 (9th Cir. 1998)). Finding it undisputed that the Victoria's Secret mark is famous, that the Moseleys are engaged in commerce, and that the registration of the Victoria's Secret mark in 1981 long predates the opening of Victor's Little Secret in 1998, the district court found the only element in dispute to be whether the Moseleys' mark diluted Victoria's Secret's.

The district court first found the marks to be sufficiently similar to cause dilution by blurring, noting that the marks' component words are virtually identical, and that the inclusion of "Little" in the Moseleys' mark, in smaller font above the original "Victor's Secret" logo, did little to lessen their similarity.[1] Next, the district court found that the Moseleys' mark had a tarnishing effect upon the Victoria's Secret mark, in that "included in the inventory sold by the Moseleys, in addition to lingerie, are adult videos as well as sex toys and other 'adult novelties.' " The court concluded that "while the Defendants' inventory may not be unsavory to all, its more risque quality widely differentiates it from that of the Plaintiffs." Finding this evidence sufficient to support a dilution claim, the district court granted summary judgment to Victoria's Secret and enjoined the Moseleys from using the Victor's Little Secret mark. Since the issuance of the district court's order, the Moseleys have successfully operated their business as "Cathy's Little Secret," apparently without objection from Victoria's Secret. The Moseleys nevertheless bring this appeal from the grant of summary judgment in the district court.

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[1] In their appeal to this court, the Moseleys argue that the district court conducted its dilution analysis on the wrong mark, namely "Victor's Secret" instead of "Victor's Little Secret." This argument is patently without merit, as the district court plainly took into account the Moseleys' attempt to change their mark after receiving a cease and desist letter from Victoria's Secret and found it not to alter significantly the dilution of Victoria's Secret's mark.

DISCUSSION

Prior to the passage of the Federal Trademark Dilution Act in 1995, actions for trademark dilution were limited to those brought in the 25 states that had enacted dilution statutes, and the standards for finding dilution varied widely between jurisdictions. *See* 104-374 (1995), 1996 U.S.C.C.A.N. 1029, 1032. The FTDA was crafted "because famous marks ordinarily are used on a nationwide basis and dilution protection is currently available on a patch-quilt system of protection . . . Further, court decisions have been inconsistent and some courts are reluctant to grant nationwide injunctions for violation of state law where half of the states have no dilution law." *Id.* The FTDA provides that:

> The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark, and to obtain such other relief as is provided in this subsection. In determining whether a mark is distinctive and famous, a court may consider factors such as, but not limited to:
>
> (A) the degree of inherent or acquired distinctiveness of the mark;
>
> (B) the duration and extent of use of the mark in connection with the goods or services with which the mark is used;
>
> (C) the duration and extent of advertising and publicity of the mark;

> (D) the geographical extent of the trading area in which the mark is used;
>
> (E) the channels of trade for the goods or services with which the mark is used;
>
> (F) the degree of recognition of the mark in the trading areas and channels of trade used by the mark's owner and the person against whom the injunction is sought;
>
> (G) the nature and extent of use of the same or similar marks by third parties; and
>
> (H) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

15 U.S.C. § 1125(c)(1).

The Act further defines "dilution" as "the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of (1) competition between the owner of the famous mark and other parties, or (2) likelihood or confusion, mistake, or deception." 15 U.S.C. § 1127. Courts have not made a uniform application of the FTDA, however, individual circuits having applied a different set of standards to arising claims, many of which seem to blur the distinction between proving likelihood of confusion in a traditional infringement claim and proving trademark dilution. *See* 4 McCarthy on Trademarks and Unfair Competition § 24:94 (2000).

A. Analysis of the FTDA's preliminary factors.

In our most recent FTDA decision, *Kellogg Co. v. Exxon Corp.*, 209 F.3d 562 (6th Cir. 2000), decided some

two months after entry of the district court's opinion in this case, we adopted the Second Circuit's standards for determining dilution set out in *Nabisco*, 191 F.3d at 215. The *Nabisco* test requires that to establish a dilution claim, "(1) the senior mark must be famous; (2) it must be distinctive; (3) the junior use must be a commercial use in commerce; (4) it must begin after the senior mark has become famous; and (5) it must cause dilution of the distinctive quality of the senior mark." *Kellogg*, 209 F.3d at 577 (quoting *Nabisco*, 191 F.3d at 215). Without the benefit of our opinion, the district court instead applied a four-factor test for dilution established by the Ninth Circuit in *Panavision*, 141 F.3d at 1324. The *Panavision* test requires a plaintiff to prove that "1) the mark is famous; (2) the defendant is making a commercial use of the mark in commerce; (3) the defendant's use began after the mark became famous; and (4) the defendant's use of the mark dilutes the quality of the mark by diminishing the capacity of the mark to identify and distinguish goods and services." *Id.* The two tests are substantially similar, with the only material difference being that the *Kellogg/Nabisco* test requires a plaintiff to prove that its mark is not only famous, but also distinctive.

Although in *Kellogg* we did not conduct a full dilution analysis, the Second Circuit provided an extended discussion of distinctiveness in the *Nabisco* decision, as follows:

> Distinctiveness in a mark is a characteristic quite different from fame. Distinctiveness is a crucial trademark concept, which places marks on a ladder reflecting their inherent strength or weakness. The degree of distinctiveness of a

mark governs in part the breadth of the protection it can command. At the low end are generic words – words that name the species or object to which the mark applies. These are totally without distinctiveness and are ineligible for protection as marks because to give them protection would be to deprive competitors of the right to refer to their products by name. . . . Thus, no one can claim the exclusive right to use the mark "CAR" for a car. One rung up the ladder are "descriptive" marks – those that *describe* the product or its attributes or claims. These also have little distinctiveness and accordingly are ineligible for protection unless they have acquired "secondary meaning" – that is, unless the consuming public has come to associate the mark with the products or services of its user. . . . The next higher rung belongs to "suggestive" marks; these fall in an in-between category. . . . They do not name or describe the product for which they are used, but they suggest the qualities or claims of that product. They are more distinctive than descriptive marks, and thus are accorded trademark rights without need to demonstrate that consumers have come to associate them with the user of the mark. . . . Nonetheless, because they seek to suggest qualities of the product, they possess a low level of distinctiveness. The [sic] are given less protection than is reserved for more distinctive marks – those that are "arbitrary" or "fanciful." . . . A mark is arbitrary or fanciful if there is no logical relationship whatsoever between the mark and the product on which it is used. However, even within the category of arbitrary or fanciful

> marks, there is still a substantial range of distinctiveness. Some marks may qualify as arbitrary because they have no logical relationship to the product, but nonetheless have a low level of distinctiveness because they are common. The most distinctive are marks that are entirely the product of the imagination and evoke no association with human experience that relate intrinsically to the product. . . . The strongest protection of the trademark laws is reserved for these most highly distinctive marks.

Nabisco, 191 F.3d at 215-16 (citations omitted).

The Second Circuit went on to note that it took the requirement that a mark be distinctive from the text of the FTDA, which requires that the junior mark's use must cause "dilution of the distinctive quality of the [plaintiff's] mark" and lists as a factor to be considered "whether the mark is distinctive and famous." *Id.* at 216. Finally, the Second Circuit concluded that:

> The requirement of distinctiveness is furthermore an important limitation. A mark that, notwithstanding its fame, has no distinctiveness is lacking the very attribute that the antidilution statute seeks to protect. The antidilution statute seeks to guarantee exclusivity not only in cases where confusion would occur but throughout the realms of commerce. Many famous marks are of the common or quality-claiming or prominence-claiming type – such as American, National, Federal, Federated, First, United, Acme, Merit or Ace. It seems most unlikely that the statute contemplates allowing the holders of such common, albeit famous, marks to exclude all new entrants. That is why the statute grants

that privilege only to holders of distinctive marks.

Id.

Because it applied the *Panavision* test instead of the test derived from *Nabisco*, the district court did not explicitly consider the distinctiveness of the Victoria's Secret mark as a factor of the plaintiffs' prima facie case, and the Moseleys now contend (albeit in a different context) that the mark is not distinctive.[2] They argue that because there are "hundreds" of lingerie concerns that use the word "secret" as part of their mark, it cannot be considered an arbitrary or fanciful term deserving a high level of protection. In this argument, however, the defendants err by failing to consider the Victoria's Secret mark as a whole. For in the context of considering two marks' similarity, we have "endorsed the 'anti-dissection rule,' which serves to remind courts not to focus only on the prominent features of the mark, or only on those features that are prominent for purposes of the litigation, but on the mark in its totality." *Jet, Inc. v. Sewage Aeration Systems*, 165 F.3d 419, 423 (6th Cir. 1999). Obviously, the anti-dissection rule is equally applicable in considering a mark's distinctiveness.

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[2] As noted by the Second Circuit in *Nabisco*, analysis of a mark's distinctiveness serves two functions. First, it is a statutory element. Second, "the *degree* of distinctiveness of the senior mark has a considerable bearing on the question whether a junior use will have a diluting effect." *Nabisco*, 191 F.3d at 217. It is in the context of this second use that the Moseleys make their distinctiveness arguments in their brief to this court.

In this case, for example, although the word "secret" may provoke some intrinsic association with prurient interests, it is not automatically linked in the ordinary human experience with lingerie. "Secret" is not particularly descriptive of bras and hosiery. Nor is there anything about the combination of the possessive "Victoria's" and "secret" that automatically conjures thoughts of women's underwear – except, of course, in the context of plaintiff's line of products. Hence, we conclude that the "Victoria's Secret" mark ranks with those that are "arbitrary and fanciful" and is therefore deserving of a high level of trademark protection. Although the district court applied a slightly different test from the one now established in this circuit, the court would undoubtedly have reached the same result under the *Nabisco* test. Certainly, we cannot say that the court erred in finding that the preliminary factors of a dilution claim had been met by Victoria's Secret.

B. Analysis of dilution.

In this case, the Moseleys do not challenge the fact that the Victoria's Secret mark is famous, nor do they dispute that they are using their "Victor's Little Secret" mark in commerce and began doing so after the Victoria's Secret mark became famous. The only element at issue, therefore, is whether their mark dilutes that of Victoria's Secret. As noted above, the FTDA defines dilution as "the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of (1) competition between the owner of the famous mark and other parties, or (2) likelihood or confusion, mistake, or deception." 15 U.S.C. § 1127. In applying

these terms, the circuits have not adopted a uniform approach, instead applying a somewhat amorphous set of factors to each particular case. *See, e.g., Nabisco*, 191 F.3d at 217 (advocating the adoption of a "cautious and gradual approach" to developing factors to determine dilution). The Sixth Circuit has not yet conducted a full analysis of a dilution claim under the FTDA and, thus, has not articulated the standards it will apply in determining whether a junior mark causes dilution. That task now falls to us.

The district court, in analyzing Victoria's Secret's claim, found that:

> Dilution corrodes a trademark by "blurring its product identification or by damaging positive associations that have attached to it." [*Panavision*, 141 F.3d at 1324.] Dilution through tarnishing that may create a negative association with the goods or services covered by the senior mark." *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. Of Travel Dev.*, 955 F. Supp. 605, 614 (E.D.Va. 1997). In order to dilute a more senior mark, the junior mark must be sufficiently similar. We find that Defendants' mark is sufficiently similar to Plaintiffs' mark in order to cause dilution.[3]

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[3] The Moseleys argue that the district court erred in finding the marks "sufficiently similar." The Moseleys assert that the marks must be found to be "substantially similar." However, as held in *Nabisco*, the requirement is that "the marks must be of sufficient similarity so that, in the mind of the consumer, the junior mark will conjure an association with the senior." Measured by this standard, there can be little doubt that "Victor's Little Secret" does, in fact, conjure an association with the "Victoria's Secret" mark.

The district court went on to find that "Defendants' mark dilutes Plaintiffs' mark because of its tarnishing effect upon the Victoria's Secret mark. . . . While the Defendants' inventory may not be unsavory to all, its more risque quality widely differentiates it from that of the Plaintiffs."

In reviewing the district court's truncated dilution analysis, we must now decide which factors are relevant to the determination of a dilution claim under the FTDA. Although the tests adopted by other circuits vary in the level of detail they apply to the claims, the qualities these tests consider are essentially the same. However, a split has developed among the circuits with respect to one crucial element: whether a plaintiff must prove actual, present injury to its mark to state a federal dilution claim. The leading cases are *Ringling Brothers*, 170 F.3d at 458, in which the Fourth Circuit held that a plaintiff must provide evidence of actual, present injury to the famous mark, and *Nabisco*, in which the Second Circuit explicitly rejected the Fourth Circuit's more stringent approach. Thus, in reviewing the present case, we must determine, first, which factors will be taken into account in determining if dilution of a mark has occurred, and second, whether to require a plaintiff to present evidence of actual harm to its famous mark, aligning ourselves with either the *Ringling Brothers* or the *Nabisco* line of cases.[4]

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[4] In *Kellogg*, we did not have the occasion to engage in a full analysis of the dilution claim presented in that case, citing *Nabisco* for its determination of the elements of a dilution claim, but also citing *Ringling Brothers*, presumably as a comparable source of the elements for a dilution claim. As *Nabisco* and *Ringling Brothers* are in direct conflict on the issue of proof of actual harm, we must now resolve the apparent contradiction.

1. *The Actual Harm Requirement: Ringling Bros.-Barnum & Bailey v. Utah Division of Travel Development.*

In *Ringling Brothers*, the circus moguls contended that the State of Utah's use of the slogan "the greatest snow on earth" diluted their famous mark, "the greatest show on earth." *See Ringling Bros.*, 170 F.3d at 451. Analyzing Ringling Brothers' claims under the FTDA, the Fourth Circuit found that " 'dilution' under the federal Act consists of (1) a sufficient similarity of marks to evoke in consumers a mental association of the two that (2) causes (3) actual harm to the senior marks' economic value as a product-identifying and advertising agent." *Id.* at 453.

The Fourth Circuit in *Ringling Brothers* conceded that an actual harm requirement "does not leap fully and immediately from the statutory text," but nevertheless found it to lie in the statute's legislative history. *Id.* The court traced the origin of modern dilution law to Frank Schechter's seminal article, *The Rational Basis of Trademark Protection*, 40 Harv. L. Rev. 813 (1927), in which Schechter argued that the true harm of diluting junior marks was not consumer confusion but "the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use upon non-competing goods." *Id.* at 825. The court termed this theory "radical" and "extreme," and stated that "there was no legislative adoption of the concept in any form until 1947 when Massachusetts enacted the first state 'antidilution' statute." *Ringling Bros.*, 170 F.3d at 454. However, as the court notes, 25 states followed the lead of Massachusetts in the years preceding adoption of the FTDA, and adopted

modified versions of Schechter's proposal as state anti-dilution law. *See id.* The court found that:

> Though they of course varied in detail, the state statutes typically had four features of relevance for our interpretive purposes: (1) they defined the category of marks protected against dilution solely by reference to their "distinctive quality"; (2) they proscribed not just actual, consummated dilution, but the "likelihood of dilution"; (3) by containing no express reference to harm to the senior mark's economic value, they defined dilution in terms susceptible to the interpretation that it consisted solely of a loss of the mark's distinctiveness; and (4) they provided only injunctive relief.

Id.

The court then looked to the Restatement (Third) of Unfair Competition for a summary of how these various statutes were applied by the state courts. The court noted the "sheer difficulty that courts have had in getting a firm handle on the basic concept of 'dilution' as cryptically expressed in the typical state statute by an unelaborated reference to 'dilution of the distinctive quality of a mark.' " *Id.* at 455. Attempting to synthesize the state court decisions, the Fourth Circuit found:

> [Al]though the typical state statute formulation is susceptible to an in-gross-property-right interpretation-by reading "distinctive quality" as essentially synonymous with "uniqueness" in the Schechter model[,] no court seems to have taken that blunt approach. Instead, frequently alluding to Schechter's identification of the

> senior mark's "selling power," and the "whittling away" of that power as the ultimate concerns of dilution's special protective function, the courts seem generally to have assumed that loss of that power, and the economic value it represents, was the end harm at which the anti-dilution statutes were aimed.

Id. at 456.

The Fourth Circuit recognized that the true interpretive problem with the state court decisions had been how that loss of power and economic value could be proved. *See id.* at 457. The court found three general approaches. First, "during the period of general judicial hostility to the whole statutory dilution concept . . . some courts, seeming to assume that the requisite harm could only be shown by evidence of some form of product-diverting consumer confusion (presumably other than source confusion), invariably found such proof lacking." *Id.* A second approach, delineated by Judge Sweet in his concurring opinion in *Mead Data Central, Inc. v. Toyota Motor Sales, U.S.A., Inc.*, 875 F.2d 1026 (2nd Cir. 1989), "assumed both that likelihood of harm to selling power must be proved, and that such harm could occur despite the absence of any consumer confusion . . . Though not expressed in those exact procedural terms, the suggestion was effectively that proof must and could be sought through the normal judicial process of fact-finding by inference from a set of contextual factors (degree of mark and product similarity, etc.) that he proposed as relevant

for the purpose."[5] *Ringling Bros.*, 170 F.3d at 457. Finally, the court found that "some courts have taken the position, in part at least for the very reason that they consider likelihood of harm to a mark's selling power to be incapable of direct or inferential proof, that it may simply be presumed from the identity or sufficient similarity of the marks." *Id.*

The Fourth Circuit then cast the FTDA against this history of state statute interpretation, finding two aspects of its construction to be particularly relevant. "Most critically, the federal Act proscribes and provides remedy only for actual, consummated dilution and not for the mere 'likelihood of dilution' proscribed by the state statutes. And, by specifically defining dilution as 'the lessening of the capacity of a famous mark to identify and distinguish goods or services,' the federal Act makes plain what the state statutes arguably may not: that the end harm at which it is aimed is a mark's selling power, not its 'distinctiveness' as such." *Id.* at 458. The court found its "concededly . . . stringent" definition of dilution, requiring "an actual lessening of the senior mark's selling power, expressed as 'its capacity to identify and distinguish goods or services' " to follow from these points. *Id.* To hold otherwise, the court asserted, would

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[5] The *Mead Data Central* case, while frequently cited in dilution commentary for the factors established by Judge Sweet, was a Second Circuit case applying New York State's dilution law. Accordingly, it is of only marginal comparative relevance to FTDA analysis, and has been largely discredited by the courts in interpreting the federal Act.

be to find a "property right in gross" in a mark's distinctiveness, and to rely upon judicial presumption where actual proof should be required. *Id.* at 459-60.

The *Ringling Brothers* court then faced the question of how a plaintiff might prove a "lessening of the capacity of a famous mark to identify and distinguish goods or services." The court conceded that "the difficulties of proving actual dilution by practically available means is [sic] evident," but found "that proof of actual dilution cannot be considered impossible and therefore not possibly what Congress could have intended. Proof will be difficult, because actual, consummated dilutive harm and its cause are difficult concepts. But the concept is a substantively viable one, and the means of proof are available." *Id.* at 464. The court then established three forms of proof it would find acceptable:

> Most obviously, but most rarely, there might be proof of an actual loss of revenues, and proof of replicating use as cause by disproving other possible causes. Most obviously relevant, and readily available, is the skillfully constructed consumer survey designed not just to demonstrate "mental association" of the marks in isolation, but further consumer impressions from which actual harm and cause might rationally be inferred . . . Finally, relevant contextual factors such as the extent of the junior mark's exposure, the similarity of the marks, the firmness of the senior mark's hold, are of obvious relevance as indirect evidence that might complement other proof.

Id. at 465. Finding that Ringling Brothers had not produced evidence to meet any of these standards, the court held that it had not sufficiently proved dilution.

The Fourth Circuit's actual harm standard was subsequently adopted by the Fifth Circuit in *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658 (5th Cir. 2000). In that case, the Fifth Circuit held:

> As an issue of first impression in this Circuit, we endorse the Fourth Circuit's holding that the FTDA requires proof of actual harm since this standard best accords with the plain meaning of the statute. There is a key difference between the state antidilution statutes that formed the backdrop for passage of the FTDA and the FTDA itself. Whereas state antidilution statutes incorporate, often expressly, the "likelihood of dilution" standard, the federal statute does not. . . . Instead, it prohibits any commercial use of a famous mark that "causes dilution." 15 U.S.C. § 1125(c)(1). Both the present tense of the verb and the lack of any modification of "dilution" support an actual harm standard.

Id. at 670.

2. *Inference of Likely Harm: Nabisco, Inc. v. PF Brands, Inc.*

The Second Circuit explicitly rejected the Fourth Circuit's actual harm test in *Nabisco, Inc. v. PF Brands, Inc.*, finding that a different interpretation of the FTDA's language must prevail. In so doing, the Second Circuit found two possible readings of the *Ringling Brothers* opinion. "The narrower position would be that courts may not

infer dilution from 'contextual factors (degree of mark and product similarity, etc.),' but must instead rely on evidence of 'actual loss of revenues' or the 'skillfully constructed consumer survey." *Nabisco*, 191 F.3d at 223. "The broader reading of the Fourth Circuit's 'actual, consummated' dilution element would require not only that dilution be proved by a showing of lost revenues or surveys but also that the junior be already established in the marketplace before the senior could seek an injunction." *Id.* at 224. This view finds footing in the fact that the statute provides a remedy for a junior mark that "causes dilution," as opposed to state statutes which had prevented "likelihood of dilution." *See id.*

The court ultimately rejected both readings of the Fourth Circuit's opinion. It found the narrow reading to be "an arbitrary and unwarranted limitation on the methods of proof" and reasoned:

> If the famous senior mark were being exploited with continually growing success, the senior user might never be able to show diminished revenues, no matter how obvious it was that the junior use diluted the distinctiveness of the senior. Even if diminished revenue could be shown, it would be extraordinarily speculative and difficult to prove that the loss was due to the dilution of the mark. And as to consumer surveys, they are expensive; time-consuming and not immune to manipulation.

Id. at 224. The court further observed that "plaintiffs ordinarily agree to make their case through circumstantial evidence that will justify an ultimate inference of

injury. Contextual factors have long been used to establish infringement. . . . We see no reason why they should not be used to prove dilution." *Id.*

The Second Circuit in *Nabisco* found that the broader reading of the Fourth Circuit's opinion, requiring both actual proof and that the junior mark be established in the marketplace, "depends on excessive literalism to defeat the intent of the statute." The court held that "to read the statute as suggested by the *Ringling* opinion would subject the senior user to uncompensable injury. The statute could not be invoked until injury had occurred. And, because the statute provides only for an injunction and no damages (absent willfulness), such injury would never be compensated." *Id.* The court also remarked that such a reading would be disastrous for a junior mark's owner who wanted to test the propriety of a new mark before launching it in the marketplace. Under this reading of the FTDA, the junior mark's owner would not be able to know that her mark was improper until she had already spent the resources involved in establishing a trademark in consumers' minds. *See id.* The *Nabisco* court concluded, "We are not at all sure that the *Ringling* opinion intends to limit the application of the statute to dilution that has already occurred, as opposed to the narrower reading discussed above. . . . In any event, we read the statute to permit adjudication granting or denying an injunction . . . before the dilution has actually occurred." *Id.* at 224-25.

Despite the Fourth Circuit's somewhat persuasive arguments, we conclude that the *Nabisco* test both tracks the language of the statute and follows more closely

Congress's intent in enacting the FTDA. Legislative history surrounding the statute's enactment demonstrates that the legislators were attempting to ensure that plaintiffs could find a nationwide remedy for dilution claims, as distinct from the Lanham Act's established protection for trademark infringement. As the Congressional Record indicates, dilution is "an injury that differs materially from that arising out of the orthodox confusion. Even in the absence of confusion, the potency of a mark may be debilitated by another's use. This is the essence of dilution. Confusion leads to immediate injury, while dilution is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark." H.R. Rep. No. 104-374 (1995), *reprinted in* 1996 U.S.C.C.A.N. 1029, 1032.

This passage is important in two respects. First, it evinces an intent to provide a broad remedy for the lesser trademark violation of dilution and recognizes that the essence of the dilution claim is a property right in the "potency" of a mark. While this does not reach the "property right in gross" proportions of Schechter's early dilution analysis, it does demonstrate an understanding that the right to be protected is in a mark's distinctiveness. Second, the passage's latter half – "confusion leads to immediate injury, while dilution is an infection, *which if allowed to spread*, will inevitably destroy the advertising value of the mark" – evinces an intent to allow a remedy *before* dilution has actually caused economic harm to the senior mark. In such a case, proving actual harm would be extremely difficult, as no such harm would have taken place when the remedy became available, and proof would be limited to the sorts of consumer surveys that the Fourth Circuit itself admits are unwieldy at best. We

think that both these factors weigh in favor of adopting the Second Circuit's test. Most importantly, as the Fourth Circuit again concedes, requiring proof of actual economic harm will make bringing a successful claim under the FTDA unreasonably difficult. With such a broad remedy considered in the Act's legislative history, we find it highly unlikely that Congress would have intended to create such a statute but then make its proof effectively unavailable.

Having determined to follow the *Nabisco* decision, and thus to allow inference of likely harm to the senior mark instead of requiring actual proof, we must now look to the other elements of the *Nabisco* test's definition of dilution. As discussed above, under *Nabisco* a plaintiff must prove that the senior mark is "famous" and "distinctive," that the junior mark is in commercial use, beginning after the senior mark has become famous, and that the junior mark "causes dilution of the distinctive quality of the senior mark." *Nabisco*, 191 F.3d at 215. The Second Circuit has developed a list of ten factors used to determine if dilution has, in fact, occurred, while describing them as a "nonexclusive list" to "develop gradually over time" and with the particular facts of each case. *Id.* at 217. Those factors are: distinctiveness; similarity of the marks; "proximity of the products and the likelihood of bridging the gap;" "interrelationship among the distinctiveness of the senior mark, the similarity of the junior mark, and the proximity of the products;" "shared consumers and geographic limitations;" "sophistication of consumers;" actual confusion; "adjectival or referential quality of the junior use;" "harm to the junior user and delay by the senior user;" and the "effect of [the] senior's

prior laxity in protecting the mark." *Id.* at 217-22. These factors are given extensive analysis in the *Nabisco* opinion, which we need not replicate here. We find that these factors effectively span the breadth of considerations a court must weigh in assessing a claim under the FTDA, from the inherent qualities of the marks themselves, to the behavior of the corporate entities in introducing a mark into commerce, to the highly practical and subjective considerations of the effect of the marks on the actual consumers who will consider them, and find them persuasive to our analysis.

3. *Application of the Nabisco test to Victoria's Secret's claim.*

As discussed above, the Victoria's Secret mark is quite distinctive, bearing little logical relation to the goods it is used to market, women's lingerie. Thus, it is deserving of a high degree of trademark protection. More importantly, the two marks in question are highly similar. There can be no contesting the fact that "Victoria's Secret" and "Victor's Little Secret" are semantically almost identical (the Moseleys' claim that the marks are "two-thirds different" is particularly unpersuasive). Further, the font used by the Moseleys' mark, the small sizing of the word "little," and its placement above "Victor's Secret" make the marks graphically similar as well.

Although the Moseleys asserted that they were not aware of Victoria's Secret when they named their store, their intent is relevant only to the issue of damages, which are not at issue here. Rather, we must ask whether a consumer would link a store called "Victor's Little

Secret" that sold women's lingerie with the more famous Victoria's Secret. We have little doubt that the average lingerie consumer would make just such an association. Assuming that the district court was correct in finding that the sophistication of lingerie consumers and the differences in the quality of the products marketed by the two stores would prevent actual confusion, this is a case that highlights the distinction between an infringement and a dilution claim. While no consumer is likely to go to the Moseleys' store expecting to find Victoria's Secret's famed Miracle Bra, consumers who hear the name "Victor's Little Secret" are likely automatically to think of the more famous store and link it to the Moseleys' adult-toy, gag gift, and lingerie shop. This, then, is a classic instance of dilution by tarnishing (associating the Victoria's Secret name with sex toys and lewd coffee mugs) and by blurring (linking the chain with a single, unauthorized establishment). Given this conclusion, it follows that Victoria's Secret would prevail in a dilution analysis, even without an exhaustive consideration of all ten of the *Nabisco* factors. As did the Second Circuit, we leave their further explication for later development "gradually over time," on a case-by-case basis.

CONCLUSION

For the reasons set out above, we AFFIRM the judgment of the district court and thus uphold the grant of summary judgment to the plaintiffs in this case, based upon their claim under the Federal Trademark Dilution Act.

UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF KENTUCKY, LOUISVILLE DIVISION

V SECRET CATALOGUE, INC., VICTORIA'S SECRET STORES, INC., VICTORIA'S SECRET CATALOGUE, INC.,

PLAINTIFFS

v. CIVIL ACTION NO. 3:98CV-395-S

VICTOR MOSELEY AND CATHY MOSELEY d/b/a VICTOR'S LITTLE SECRET,

DEFENDANTS

2000 U.S. Dist. LEXIS 5215; 54 U.S.P.Q.2D (BNA) 1092

February 9, 2000, Decided

February 9, 2000, Entered

COUNSEL:

For V SECRET CATALOGUE, INC., VICTORIA'S SECRET STORES, INC., VICTORIA'S SECRET CATALOGUE, INC., plaintiffs: Frank J. Colucci, Courtney Wilson Monahon, W. Brant Mossop, G. Mathew Lombard, Colucci & Umans, New York, NY. Reford H. Coleman, Coleman, Easton, Lochmiller & Hall, Elizabethtown, KY.

For VICTOR MOSELEY, CATHY MOSELEY, defendants: James W. Taylor, Amanda Pope Thompson, Don A. Pisacano, Stites & Harbison, Lexington, KY. John E. Spainhour, Givhan & Spainhour, Shepherdsville, KY.

MEMORANDUM OPINION

This matter is before the Court on the Motions for Summary Judgment filed by the Defendants, Victor and Cathy Moseley ("the Moseleys"), and the Plaintiffs, V Secret Catalogue, Inc., Victoria's Secret Stores, Inc., and Victoria's Secret Catalogue, Inc. (collectively, "Victoria's Secret"). Victoria's Secret has brought suit pursuant to the Lanham Act, 15 U.S.C. § 1051 *et seq.*, the Federal Dilution Trademark Act, 15 U.S.C. § 1125(c), and Kentucky common law, alleging that the Moseleys are committing trademark infringement and unfair competition.

Defendants have also filed Motions to Strike Plaintiffs' Response to their Motion for Summary Judgment and Plaintiffs' Motion for Summary Judgment on the basis that Plaintiffs included in those pleadings affidavits from persons not previously identified as witnesses. We find that striking pleadings on such a basis to be inappropriate. As this Court has not relied upon any of the disputed affidavits in its ruling upon the Motions for Summary Judgment, the Motions to Strike will be denied by separate order.

FACTS

Plaintiff V Secret Catalogue, Inc. is the record owner of the "Victoria's Secret" mark, which has been registered in the United States Patent and Trademark Office since January 20, 1981. V Secret Catalogue licenses Plaintiff Victoria's Secret Catalogue, LLC and Plaintiff Victoria's Secret Stores, Inc. to use the "Victoria's Secret" mark. Victoria's Secret sells a complete line of women's lingerie, as well as other clothing and accessories.

Victoria's Secret Stores operates over 750 stores, and Victoria's Secret Catalogue distributes 400 million copies of the Victoria's Secret catalog each year, including 39,000 in Elizabethtown, Kentucky, where Defendants' store is located. Victoria's Secret's products are also sold over the Internet. Victoria's Secret has two stores in Louisville, Kentucky, within 60 miles of Defendants' store. One store has been open since November 16, 1982; the other since April 24, 1985. In 1998, Victoria's Secret spent over fifty-five million dollars on advertising its products. According to a recent survey, Victoria's Secret is rated as the ninth most famous brand in the apparel industry.

In February, 1998, Defendants Victor and Cathy Moseley opened "Victor's Secret," a store in a strip mall in Elizabethtown, Kentucky, selling a wide variety of items, including men's and women's lingerie, adult videos, sex toys and "adult" novelties. The Moseleys assert that they were not aware of Victoria's Secret's catalog or stores until they received a cease and desist letter from counsel for Victoria's Secret on February 25, 1998. The Moseleys subsequently changed the name of their store to "Victor's Little Secret."

DISCUSSION

Summary judgment is appropriate if "the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law." FED. R. CIV. P. 56(c). A party's failure to establish an element of proof essential to his case and upon which he

will bear the burden of proof at trial constitutes a failure to establish a genuine issue of material fact. *Celotex Corp. v. Catrett*, 477 U.S. 317, 322, 91 L. Ed. 2d 265, 106 S. Ct. 2548 (1986). *See also Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248, 91 L. Ed. 2d 202, 106 S. Ct. 2505 (1986).

Federal Infringement Claims

The Moseleys ask for summary judgment in their favor on Victoria Secret's federal infringement claims on the basis that Victoria's Secret has presented no evidence of a likelihood of confusion due to the Moseleys' use of "Victor's Little Secret." The Court of Appeals for the Sixth Circuit has directed that in evaluating the likelihood of confusion, a number of factors should be examined. These factors include:

1. strength of the plaintiff's mark
2. relatedness of the goods or services
3. similarity of the marks
4. evidence of actual confusion
5. marketing channels used
6. likely degree of purchaser care and sophistication
7. intent of the defendant in selecting the mark
8. likelihood of expansion of the product lines using the mark.

Frisch's Restaurants, Inc. v. Elby's Big Boy of Steubenville, Inc., 670 F.2d 642, 648 (6th Cir. 1982). The Sixth Circuit considers the question of whether a likelihood of confusion exists to be a mixed question of law and fact.

Homeowners Group, Inc. v. Home Mktg. Specialists, Inc., 931 F.2d 1100, 1107 (6th Cir. 1991). Examination of the factors listed above are questions of fact, but the determination of whether those facts establish a likelihood of confusion is a legal conclusion. *Id.*

In examining these factors, the Court concludes that the Moseleys are entitled to summary judgment upon the basis that, as a matter of law, no likelihood of confusion exists. Although not all of the above factors weigh against Victoria's Secret, taken together, they do not establish a likelihood of confusion.

A. Strength of Plaintiff's Mark

The strength of a mark is determined by its distinctiveness. *Frisch's Restaurant, Inc. v. Shoney's, Inc.*, 759 F.2d 1261, 1264 (6th Cir. 1985). "A mark is strong if it is highly distinctive, i.e., if the public readily accepts it as the hallmark of a particular source; it can become so because it is unique, because it has been the subject of wide and intensive advertisement; or because of a combination of both." *Id.* (quoting Callman, *Unfair Competition, Trademarks, & Monopolies*, P 20.43 (4th ed. 1983)).

The Moseleys concede that Victoria's Secret's mark is "strong" but contend it is not "invincible." In support of this contention, they have submitted a list of 257 marks which include the word "secret" and have further cited fourteen marks as being very similar to Victoria's Secret marks. Defendants' Motion at 9. Victoria's Secret counters that most of those fourteen marks have been canceled or abandoned. In addition, Victoria's Secret has submitted evidence that their mark is the country's ninth-most

recognizable mark in the apparel industry. Furthermore, Victoria's Secret registered its mark with the Patent and Trademark Office on January 20, 1981. "Once a mark has been registered for five years, the mark must be considered strong and worthy of full protection." *Wynn Oil Co. v. Thomas*, 839 F.2d 1183, 1187 (6th Cir. 1988).

B. Relatedness of the Goods or Services

Three basic categories of relatedness exist: "(1) direct competition of services, in which case confusion is likely if the marks are sufficiently similar; (2) services are somewhat related but not competitive, so that likelihood of confusion may or may not result depending on other factors; and (3) services are totally unrelated, in which case confusion is unlikely." *Homeowners Group*, 931 F.2d at 1108.

The Moseleys assert that the merchandise they sell in their store is very different than Victoria's Secret's merchandise, with the only common item being women's lingerie, which they submit accounts for only five percent of their total sales. In response, Victoria's Secret has submitted photos of the Moseleys' store which demonstrate that women's lingerie takes up much of their retail space. Thus, the products sold by Plaintiffs and Defendants are not completely unrelated. Whether the products are directly competitive or only somewhat related is unclear, but for purposes of our ruling, we will assume the products are in direct competition.

C. Similarity of the Marks, Degree of Purchaser Care, and Actual Confusion

On a side-by-side comparison, the two marks in question bear a large degree of similarity. Such a comparison, however, is not the appropriate test. Rather, "the marks must be viewed in their entirety and in context" *Homeowners Group*, 931 F.2d at 1109. Viewed in the context of the goods sold under the two marks, and in particular, the stores in which those goods are sold, little similarity exists between the two marks.

Victoria's Secret's stores are generally in upscale malls, with signage that is professionally done. In contrast, Victor's Little Secret is in a strip mall with handwritten signs advertising "Pagers for Sale" in the window. Every piece of clothing sold by Victoria's Secret has a "Victoria's Secret" label on it, while none of the clothing sold by the Defendants has a "Victor's Secret" or "Victor's Little Secret" label on it.

Intertwined in the analysis of the similarity of the marks is the degree of purchaser care. While not exorbitant, lingerie is not an inexpensive purchase, such as the packages of chewing tobacco in question in *P.T.C. Brands, Inc. v. Conwood Co. L.P.*, 887 F. Supp. 963 (W.D. Ky. 1995), or an impulse buy in the manner of the fast food in *Frisch's Restaurants, Inc. v. Elby's Big Boy of Steubenville, Inc.*, 670 F.2d 642 (6th Cir. 1982). Purchasers of Victoria's Secret's products use a far higher degree of care than such impulse buying, and thus, would have little difficulty in determining that Victor's Little Secret is unlikely to be associated with Victoria's Secret.

This conclusion is borne out by the fact that Victoria's Secret has not brought forward any evidence of actual confusion between the two trademarks. "There can be no more positive or substantial proof of the likelihood of confusion than proof of actual confusion," *P.T.C. Brands, Inc. v. Conwood Co. L.P.*, 887 F. Supp. 963, 969 (W.D. Ky. 1995) (quoting *World Carpets, Inc. v. Dick Littrell's New World Carpets*, 438 F.2d 482, 489 (5th Cir. 1971)). Although not dispositive, the fact that Victoria's Secret has not produced any evidence of actual confusion weighs heavily in Defendants' favor.

D. Marketing Channels Used

Victoria's Secret and Victor's Little Secret use the same marketing channels. Both parties sell to the retail market, using both print and radio advertising. Defendants assert that they are somehow different because Victoria's Secret advertises on a world-wide scale, while Victor's Little Secret is advertised only locally in the Elizabethtown area. The scale of the advertising is irrelevant. In fact, the small scale of the advertising for Victor's Little Secret could actually weigh against the Defendants, as it may be evidence that the Defendants are taking advantage of a potential similarity between the trademarks to promote their products.

E. Defendants' Intent in Selecting the Mark

The Moseleys assert that their selection of "Victor's Secret" for the name of their store was a complete coincidence. They claim that they had never seen a Victoria's Secret catalogue or a Victoria's Secret advertisement prior

to opening their store. Their explanation for the selection of the name "Victor's Secret" is that Victor Moseley wanted to keep the opening of his store quiet while working for a previous employer – thus, it was "Victor's Secret."

The noteable similarity between the two marks alone is enough to call into question Defendants' explanation, but Victoria's Secret also submits further evidence to rebut the Moseleys' claims. Mr. Moseley testified in his deposition that he was unemployed prior to opening his store. This not only tends to refute his explanation for the name "Victor's Secret," but seriously damages his credibility. "If a party chooses a mark with the intent of causing confusion, that fact alone may be sufficient to justify an inference of confusing similarity." *Homeowners Group*, 931 F.2d at 1111. For purposes of ruling upon this motion, we will assume Defendants selected their mark with the intention of causing confusion.

F. Likelihood of Expansion of Product Lines

The Moseleys asserts [sic] that they have no intention of expanding their business outside the Elizabethtown area, and Victoria's Secret has not presented any evidence to the contrary.

Conclusion

Although minor factual disputes remain extant, they are not material to the Court's determination of whether there is a likelihood of confusion. After examining the similarity of the marks, the degree of purchaser care, and

lack of any evidence of actual confusion, the Court concludes that no likelihood of confusion exists as a matter of law. The Court finds that the fact that Victoria's Secret has not presented any evidence of actual confusion between the trademarks to be a particularly strong indicator that confusion between the marks is unlikely. Therefore, the Defendants' Motion for Summary Judgment will be granted as to Plaintiffs' federal infringement claims.

Federal Unfair Competition Claims and State Law Claim

As in infringement claims, the essence of an unfair competition claim is likelihood of confusion. *Champions Golf Club, Inc. v. The Champions Golf Club, Inc.*, 78 F.3d 1111, 1123 (6th Cir. 1996) (citing *Wynn Oil Co. v. American Way Svc, Corp.*, 943 F.2d 595, 604 (6th Cir. 1991)). Because we have found that no likelihood of confusion exists as a matter of law, we will grant summary judgment on Count II as well. In addition, the state law claims for infringement and unfair competition mirror the federal claims, and summary judgment will be granted as to Count IV.

Federal Dilution Act Claim

Plaintiffs and Defendants have both moved for summary judgment on Plaintiffs' Federal Dilution Act claim. Plaintiffs have asked for injunctive relief under Federal Dilution Trademark Act of 1995, 15 U.S.C. § 1125(c), which entitles the owner of a famous mark to an injunction against another person's commercial use of a mark or trade name, if such use "causes dilution of the distinctive quality of the owner's mark." Dilution can occur even

where the products are not in competition and no likelihood of confusion is possible. 15 U.S.C. § 1127. *See also Ameritech, Inc. v. American Info. Techs. Corp.*, 811 F.2d 960, 965 (6th Cir. 1987).

Although little case law exists on the recently enacted Federal Dilution Trademark Act, a reading of the statute makes clear that a plaintiff must show that: 1) its mark is famous, 2) the defendant is making a commercial use of its mark in commerce, 3) the defendant's use of its mark came after the plaintiff's mark became famous, and 4) the defendant's use of its mark dilutes the quality of plaintiff's mark. *See Panavision Int'l, L.P. v. Toeppen*, 141 F.3d 1316, 1324 (9th Cir. 1998).

Defendants do not challenge Victoria's Secret's claim that its mark is famous. It has been registered since 1981. We have earlier found the mark to be strong and worthy of protection.

It is also undisputed that the Defendants are making commercial use of their mark in commerce, and that such use began after Plaintiffs' mark became famous. Defendants have named their store "Victor's Little Secret," and ample evidence has been presented in the record that they advertise their store using this mark. Their store did not open until 1998, well after "Victoria's Secret" became a famous mark.

This leaves the Court only to consider whether Defendants' use of their mark dilutes the quality of Plaintiffs' mark. Dilution corrodes a trademark by "blurring its product identification or by damaging positive associations that have attached to it." *Id.* Dilution through tarnishing of that may create a negative association with the

goods or services covered by the senior mark." *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 955 F. Supp. 605, 614 (E.D. Va. 1997). In order to dilute a more senior mark, the junior mark must be sufficiently similar. We find that Defendants' mark is sufficiently similar to Plaintiffs' mark in order to cause dilution.

Significantly, Defendants originally named their store "Victor's Secret." This name is quite similar to Plaintiffs' mark, "Victoria's Secret." The Moseleys subsequently changed the name to "Victor's Little Secret," but an examination of their signage and advertising reveals that this alteration is very minor. The word "Little" is substantially smaller than the words "Victor's" and "Secret," so much so as to make it an afterthought in the advertising. Therefore, we find the two marks to be substantially similar for purposes of Plaintiffs' dilution claim.

We also find that Defendants' mark dilutes Plaintiffs' mark because of its tarnishing effect upon the Victoria's Secret mark. Included in the inventory sold by the Moseleys, in addition to lingerie, are adult videos as well as sex toys and other "adult novelties." "Courts have frequently enjoined the 'tarnishment' of a mark through association with unsavory goods, persons, or services" *Anheuser-Busch, Inc. v. Balducci Publications*, 28 F.3d 769, 777 (8th Cir. 1994). While the Defendants' inventory may not be unsavory to all, its more risque quality widely differentiates it from that of the Plaintiffs. We therefore enjoin Defendants from using the mark "Victor's Little Secret" on the basis that it causes dilution of the distinctive quality of the Victoria's Secret mark.

CONCLUSION

Defendants' Motion for Summary Judgment will be granted by separate order as to Counts I, II and IV and denied as to Count III. Plaintiffs' Motion for Summary Judgment on Count III of its Complaint will be granted and Defendants will be enjoined from use of the mark "Victor's Little Secret" by separate order.

This 9th day of Feb, 2000.

/s/ _____
CHARLES R. SIMPSON III, CHIEF JUDGE
UNITED STATES DISTRICT COURT

ENTERED
FEB. 9, 2000

JEFFREY A. APPERSON CLERK

By: /s/ _____
DEPUTY CLERK

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF KENTUCKY
AT LOUISVILLE

V SECRET CATALOGUE, INC.
VICTORIA'S SECRET STORES, INC.
VICTORIA'S SECRET CATALOGUE, INC. PLAINTIFFS

v. CIVIL ACTION NO. 3:98CV-395-S

VICTOR MOSELEY AND CATHY MOSELEY
d/b/a VICTOR'S LITTLE SECRET DEFENDANTS

ORDER

For the reasons set forth in the memorandum opinion entered this date and the court being otherwise sufficiently advised, **IT IS HEREBY ORDERED AND ADJUDGED** that the Motion to Strike Plaintiffs' Response and the Motion to Strike Plaintiffs' Motion for Summary Judgment are **DENIED.**

The Motion for Summary Judgment made by the Defendants is **GRANTED** as to Counts I, II, and IV and **DENIED** as to Count III. Counts I, II and IV are dismissed with prejudice. The Motion for Summary Judgment made by the Plaintiffs as to Count III is **GRANTED.**

The Defendants are hereby enjoined from using the designation "Victor's Secret" or "Victor's Little Secret" or any mark similar thereto, or any reproduction, counterfeit, copy or colorable imitation of Plaintiffs' trademark.

IT IS SO ORDERED this 9th day of Feb, 2000.

/s/ _____
CHARLES R. SIMPSON III, CHIEF JUDGE
UNITED STATES DISTRICT COURT

ENTERED
FEB. 9, 2000
JEFFREY A. APPERSON CLERK
By: /s/ _____
DEPUTY CLERK

00-5320

UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

V SECRET CATALOGUE, INC., ET AL.,	)	
Plaintiffs-Appellees,	)	ORDER
v.	)	(Filed Oct. 4, 2001)
VICTOR MOSELEY, ET AL.,	)	
Defendants-Appellants.	)	

BEFORE: JONES, DAUGHTREY, and COLE, Circuit Judges.

The court having received a petition for rehearing en banc, and the petition having been circulated not only to the original panel members but also to all other active judges of this court, and no judge of this court having requested a vote on the suggestion for rehearing en banc, the petition for rehearing has been referred to the original panel.

The panel has further reviewed the petition for rehearing and concludes that the issues raised in the petition were fully considered upon the original submission and decision of the case. Accordingly, the petition is denied.

ENTERED BY ORDER OF THE COURT

/s/ Leonard Green
Leonard Green, Clerk

FILED
MAR 4 2002

No. 01-1015

IN THE

Supreme Court of the United States

VICTOR MOSELEY and CATHY MOSELEY,
d/b/a VICTOR'S LITTLE SECRET,

Petitioners,

v.

V SECRET CATALOGUE, INC., VICTORIA'S SECRET STORES, INC., and VICTORIA'S SECRET DIRECT, LLC,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

BRIEF IN OPPOSITION

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QUESTION PRESENTED FOR REVIEW

Whether the Sixth Circuit in *V Secret Catalogue* correctly interpreted the Federal Trademark Dilution Act (the "FTDA")[1] as not requiring proof of actual economic harm to a famous mark prior to finding liability for dilution and granting injunctive relief.

---

1. Federal Trademark Dilution Act of 1995, Pub. L. No. 104-98, 109 Stat. 985 (codified at 15 U.S.C. § 1125(c)(1996)).

PARTIES TO THE PROCEEDING AND CORPORATE DISCLOSURE STATEMENT

Petitioners are Victor Moseley and Cathy Moseley, d/b/a Victor's Little Secret (herein "Petitioners" or "Moseleys").

Respondents are V Secret Catalogue, Inc., Victoria's Secret Stores, Inc. and Victoria's Secret Direct, LLC (formerly, Victoria's Secret Catalogue, Inc.) (herein "Respondents" or "Victoria's Secret").

Respondents, V Secret Catalogue, Inc., Victoria's Secret Stores, Inc. and Victoria's Secret Direct, LLC, are wholly-owned subsidiaries of Intimate Brands, Inc., which is a publicly held corporation.

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STATEMENT OF THE CASE

The VICTORIA'S SECRET trademark and service mark (herein the "VICTORIA'S SECRET Mark") has been in continuous use in the United States since 1977, through Respondents' predecessor, and since 1982 by Respondents. *V Secret Catalogue*, 259 F.3d at 466.

The VICTORIA'S SECRET Mark was first registered in the United States Patent and Trademark Office in 1981. Since that time, the Mark has been registered not only in the United States, but worldwide. *Id.*

The VICTORIA'S SECRET Mark has been widely advertised and publicized for over 20 years. The reach of the VICTORIA'S SECRET Mark is national through its 750 VICTORIA'S SECRET retail stores, and international through the annual distribution and circulation of more than 400 million copies of the VICTORIA'S SECRET mail order catalog worldwide and the global accessibility of the website. *Id.* The evidence before the Sixth Circuit also showed that in 1997 alone, Victoria's Secret reached over 1.5 billion people globally through print and electronic public relations efforts.

As a result, VICTORIA'S SECRET is a famous trademark. In a 1998 survey, the VICTORIA'S SECRET Mark was rated the ninth most famous brand in the apparel industry. *Id.* Petitioners admit the mark is famous. *Id.* at 467, 471.

The VICTORIA'S SECRET Mark is also distinctive. The Sixth Circuit held that the VICTORIA'S SECRET Mark "ranks with those that are 'arbitrary and fanciful' and is therefore deserving of a high level of trademark protection". *Id.* at 470.

In 1998, Petitioners opened a "Victor's Secret" retail store in a strip mall in Elizabethtown, Kentucky, selling a wide variety of items, including men's and women's lingerie, adult videos, sex toys and "adult novelties". *Id.* at 466.

The VICTORIA'S SECRET Mark is well established in Kentucky, where Respondents have VICTORIA'S SECRET retail stores, and over 3.5 million Kentucky residents receive the VICTORIA'S SECRET catalog annually, with 39,000 of those catalogs distributed in Elizabethtown alone. *Id.* Further, the evidence before the Sixth Circuit showed that in the last five years, Kentucky residents purchased nearly $30 million of VICTORIA'S SECRET merchandise through the catalog.

Shortly after Petitioners opened their "Victor's Secret" store, Respondents sent a cease and desist letter requesting them to stop using "Victor's Secret" as a store name. Instead of stopping, Petitioners added the word "little" in small, almost unnoticeable lettering between the words "Victor's" and "Secret", *i.e.*, to "Victor's Little Secret". Respondents then brought suit against Petitioners. *Id.* at 466-67.

REASONS FOR DENYING THE WRIT

I. THE SIXTH CIRCUIT CORRECTLY HELD THAT THE FTDA DOES NOT REQUIRE PROOF OF ACTUAL HARM

In *V Secret Catalogue*, the Sixth Circuit upheld the district court's finding that the Moseleys' use of "Victor's Little Secret" for their lingerie and adult toy business both blurred and tarnished the VICTORIA'S SECRET Mark in violation of the FTDA. *V Secret Catalogue*, 259 F.3d at 467.

In so doing, the Sixth Circuit cited its recent FTDA decision in *Kellogg Co. v. Exxon Corp.*, 209 F.3d 562

(6th Cir. 2000), in which the Second Circuit's test for determining dilution in *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208 (2d Cir. 1999), was adopted, noting:

> The *Nabisco* test requires that to establish a dilution claim, "(1) the senior mark must be famous; (2) it must be distinctive; (3) the junior use must be a commercial use in commerce; (4) it must begin after the senior mark has become famous; and (5) it must cause dilution of the distinctive quality of the senior mark." *Kellogg*, 209 F.3d at 577 (quoting *Nabisco*, 191 F.3d at 215).

V Secret Catalogue, 259 F.3d at 468-469.

Noting that the district court's decision was rendered before *Kellogg*, and, therefore, the distinctiveness of the VICTORIA'S SECRET Mark was not explicitly considered by the district court, the Sixth Circuit went on to consider whether the VICTORIA'S SECRET Mark was, in fact, distinctive. It concluded that the VICTORIA'S SECRET Mark is indeed distinctive, and stated:

> **[T]he "Victoria's Secret" mark ranks with those that are "arbitrary and fanciful" and is therefore deserving of a high level of trademark protection.** Although the district court applied a slightly different test from the one now established in this circuit, the court would undoubtedly have reached the same result under the Nabisco test.

V Secret Catalogue, 259 F.3d at 470-471. (emphasis added)

Having found that the VICTORIA'S SECRET Mark was famous (which the Moseleys' admitted[2]), and distinctive, and that the use of the Victor's Little Secret name was a commercial usage, the Sixth Circuit next considered whether the Moseleys' use of the name Victor's Little Secret caused dilution under the FTDA. The Sixth Circuit noted the district court's definition of dilution, which stated:

> Dilution corrodes a trademark by "blurring its product identification or by damaging positive associations that have attached to it." [*Panavision*, 141 F.3d at 1324.] Dilution through tarnishing that may create a negative association with the goods or services covered by the senior mark." *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 955 F. Supp. 605, 614 (E.D. Va. 1997). In order to dilute a more senior mark, the junior mark must be sufficiently similar. We find that Defendants' mark is sufficiently similar.n3

V Secret Catalogue, 259 F.3d at 471.

However, the Sixth Circuit added the following footnote to the above definition:

> n3The Moseleys argue that the district court erred in finding the marks "sufficiently similar." The Moseleys assert that the marks must be found to be "substantially similar." However, as held in *Nabisco*, the requirement is that "the marks must be of sufficient similarity so that, in the mind of the consumer, the junior mark will conjure an association with the senior." **Measured by this standard, there can be little doubt that "Victor's Little Secret" does, in fact, conjure an association with the "Victoria's Secret" mark.**

2. *V Secret Catalogue*, 259 F.3d at 467, 171.

Id. (emphasis added)

A. The Sixth Circuit Sets A Standard For Dilution And Adopts *Nabisco* Over *Ringling Bros.*

Acknowledging the *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449 (4th Cir.), *cert. denied*, 528 U.S. 923 (1999), and *Nabisco* decisions as representative of a divergence of statutory interpretation of the FTDA, the Sixth Circuit analyzed both decisions and adopted the *Nabisco*, rather than the *Ringling Bros.*, interpretation, stating:

> Despite the Fourth Circuit's somewhat persuasive arguments, we conclude that the *Nabisco* test both tracks the language of the statute and follows more closely Congress's intent in enacting the FTDA. **Legislative history surrounding the statute's enactment demonstrates that the legislators were attempting to ensure that plaintiffs could find a nationwide remedy for dilution claims, as distinct from the Lanham Act's established protection for trademark infringement. As the Congressional Record indicates, dilution is "an injury that differs materially from that arising out of the orthodox confusion. Even in the absence of confusion, the potency of a mark may be debilitated by another's use. This is the essence of dilution. Confusion leads to immediate injury, while dilution is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark."**

H.R. Rep. No. 104-374 (1995), *reprinted in* 1996 U.S.C.C.A.N. 1029, 1032.

This passage is important in two respects. **First, it evinces an intent to provide a broad remedy for the lesser trademark violation of dilution and recognizes that the essence of the dilution claim is a property right in the "potency" of a mark** . . . [This demonstrates] an understanding that the right to be protected is in a mark's distinctiveness. **Second**, the passage's latter half — "confusion leads to immediate injury, while dilution is an infection, *which if allowed to spread*, will inevitably destroy the advertising value of the mark" — **evinces an intent to allow a remedy *before* dilution has actually caused economic harm to the senior mark.** In such a case, proving actual harm would be extremely difficult, as no such harm would have taken place when the remedy became available, and proof would be limited to the sorts of consumer surveys that the Fourth Circuit itself admits are unwieldy at best. We think that both these factors weigh in favor of adopting the Second Circuit's test. **Most importantly, as the Fourth Circuit again concedes, requiring proof of actual economic harm will make bringing a successful claim under the FTDA unreasonably difficult.** With such a broad remedy considered in the Act's legislative history, we find it highly unlikely that Congress would have intended to create such a statute but then make its proof effectively unavailable.

V Secret Catalogue, 259 F.3d at 475-476. (emphasis added)

Clearly, the Sixth Circuit's review of the FTDA and its legislative history provided the court with a basis for adopting the Second Circuit's analysis of the FTDA in *Nabisco*, and rejecting the Fourth Circuit's analysis of the FTDA in *Ringling Bros.*

B. Applying The *Nabisco* Test To The Moseleys' Use Of Victor's Little Secret, The Sixth Circuit Affirmed The District Court And Correctly Held That Such Use Violated The FTDA

Having concluded that the *Nabisco* test, rather than the *Ringling Bros.* test, applies to a dilution claim, the Sixth Circuit stated:

> **Rather, we must ask whether a consumer would link a store called "Victor's Little Secret" that sold women's lingerie with the more famous Victoria's Secret. We have little doubt that the average lingerie consumer would make just such an association** . . . [T]his is a case that highlights the distinction between an infringement and a dilution claim. While no consumer is likely to go to the Moseleys' store expecting to find Victoria's Secret's famed Miracle Bra, consumers who hear the name "Victor's Little Secret" are likely automatically to think of the more famous store and link it to the Moseleys' adult-toy, gag gift, and lingerie shop. **This, then, is a classic instance of dilution by tarnishing (associating the Victoria's Secret name with sex toys and lewd coffee mugs) and by blurring (linking the chain with a single, unauthorized establishment).** Given this conclusion, it follows that Victoria's Secret would prevail in a dilution analysis, even without an exhaustive consideration of all ten of the *Nabisco* factors.

V Secret Catalogue, 259 F.3d at 477. (emphasis added)

Accordingly, the Sixth Circuit concluded that proof of actual harm to a famous mark is *not* required prior to a finding of liability for dilution and granting injunctive relief.

II. THE SIXTH CIRCUIT'S DECISION THAT THE FTDA DOES NOT REQUIRE PROOF OF ACTUAL HARM IS THE CORRECT INTERPRETATION OF THE STATUTE

The Sixth Circuit's conclusion that proof of actual harm to a famous mark is *not* required prior to a finding of liability for dilution and granting injunctive relief, is in total accord with the FTDA, the purpose and intent of the Act, and potential future revisions to the Act, which are more fully discussed below.

A. The Federal Trademark Dilution Act

Section 43(c)(1) of the Lanham Act, 15 U.S.C. § 1125,[3] states, in pertinent part:

> The owner of a **famous** mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark becomes famous and causes dilution of the distinctive quality of the famous mark, and to obtain such other relief as is provided in this subsection. (emphasis added)

3. Section 43(c) of the Lanham Act, 15 U.S.C. § 1125(c), was adopted by Congress pursuant to the Federal Trademark Dilution Act of 1995. Pub. L. No. 104-98, 109 Stat. 985 (1996).

Section 43(c)(2) of the Lanham Act, 15 U.S.C. § 1125, states:

> In an action brought under this subsection, the owner of a famous mark shall be entitled only to injunctive relief as set forth in section 34 unless the person against whom the injunction is sought willfully intended to trade on the owner's reputation or to cause dilution of the famous mark. If such willful intent is proven, the owner of a famous mark shall also be entitled to the remedies set forth in sections 35(a) and 36, subject to the discretion of the court and the principles of equity.

Section 45 of the Lanham Act, 15 U.S.C. § 1127, states, in pertinent part:

> The term "dilution" means the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of —
>
> (1) competition between the owner of the famous mark and other parties, or
>
> (2) likelihood of confusion, mistake, or deception.

Although Sections 43 and 45 of the Lanham Act were only enacted in 1996, the concept of dilution originated in the late 1920's in the seminal article by Frank I. Schechter[4] in which he posited:

> **It is the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use on upon non-**

4. Schechter's theory was referred to favorably in the House by Congressman Moorhead, in testimony before the House Subcommittee on the FTDA and was also referenced in the *Ringling Bros.*, *Nabisco and V Secret Catalogue* cases. *See* II. B., *infra*.

> **competing goods.** The more distinctive or unique the mark, the deeper is its impress upon the public consciousness, and the greater its need for protection against vitiation or dissociation from the particular product in connection with which it has been used. (emphasis added)[5]

Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 Harv. L. Rev. 813 (1927), *reprinted in* 60 Trademark Rep., 334, 342 (1979).

B. The Legislative Intent Of The FTDA Does Not Indicate That "Actual Harm" Was Intended To Be Required

The House Report contains the following commentary on the purpose of the FTDA[6]:

> **The purpose of H.R. 1295 is to protect famous trademarks from subsequent uses that blur the distinctiveness of the mark or tarnish or disparage it, even in the absence of a likelihood of confusion.** H.R. 1295 does this by amending Section 43 of the Trademark Act of 1946 to add a new subsection (c) to provide protection against anothers commercial use of a famous mark which results in dilution of such mark. Presently, the nature and extent of the remedies against trademark dilution varies from state to state and, therefore, can provide unpredictable and inadequate results for the trademark owner. The federal remedy provided in H.R. 1295 against

5. The *Nabisco* and *V Secret Catalogue* courts are in accord with Schechter's theory, however, the *Ringling Bros.* court rejected his theory. *Nabisco*, 191 F.3d at 217; *V Secret Catalogue*, 259 F.3d at 476; *Ringling Bros.*, 170 F.3d at 454.

6. H.R. REP. NO. 104-374, at 2-3 (1995).

> trademark dilution will bring uniformity and consistency to the protection of famous marks and is also consistent with our international obligations in the trademark area.
>
> H.R. 1295 would add a new section 43(c) to the Lanham Act, 15 U.S.C. et seq., to create a federal cause of action to protect famous marks from unauthorized users that attempt to trade upon the goodwill and established renown of such marks and, thereby, dilute their distinctive quality. **The provision is intended to protect famous marks where the subsequent, unauthorized commercial use of such marks by others dilutes the distinctiveness of the mark . . . Thus, for example, the use of DUPONT shoes, BUICK aspirin, and KODAK pianos would be actionable under this legislation.**
>
> **The protection of marks from dilution differs from the protection accorded marks from trademark infringement. Dilution does not rely upon the standard test of infringement, that is, likelihood of confusion, deception or mistake. Rather, it applies when the unauthorized use of a famous mark reduces the publics perception that the mark signifies something unique, singular, or particular. As summarized in one decision:**
>
> **Dilution is an injury that differs materially from that arising out of the orthodox confusion. Even in the absence of confusion, the potency of a mark may be debilitated by anothers use. This is the essence of dilution. Confusion leads to immediate injury, while dilution is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark.**

Mortellito v. Nina of California, Inc., 335 F. Supp. 1288, 1296, 173 U.S.P.Q. 346, 351 (S.D.N.Y. 1972). (emphasis added)

In Congress, H.R. 1295[7] was supported by Congressman Moorhead, who remarked:

> The concept of dilution dates as far back as 1927, when the Harvard Law Review published an article by Frank I. Schechter in which it was argued that coined or unique **trademarks should be protected from the "gradual whittling away or dispersion of the identity and hold upon the public mind" of the mark by its use on noncompeting goods**. Today approximately 25 States have laws that prohibit trademark dilution.
>
> * * *
>
> **With respect to remedies, the bill limits the relief a court could award to an injunction unless the wrongdoer willfully intended to trade on the trademark owner's reputation or to cause dilution, in which case other remedies under the Trademark Act become available.**

141 CONG. REC. H14317 (daily ed. Dec. 12, 1995) (statement of Rep. Moorhead). (emphasis added)

In support of H.R. 1295, Congress heard, *inter alia*, the following testimony:

> 1. Philip G. Hampton, II, Assistant Commissioner For Trademarks, U.S. Patent and Trademark Office, who testified that "A finding of likelihood of confusion is limited to situations where consumers are likely to be confused as to the origin of the goods or services at issue. **On the other hand, dilution is a much broader concept.** Under H.R. 1295 it will

7. H.R. 1295, 104th Cong. (1995).

> not be necessary to establish that consumers will be likely to confuse the source of the goods or services, but, rather, that the capability of the mark to identify the registrant's goods or services will be diminished by the other party's unauthorized use of the mark." (emphasis added); and
>
> 2. Mary Ann Alford, Executive Vice President, International Trademark Association, who testified that "The protection of marks from dilution differs from the protection accorded marks from trademark infringement. Dilution does not rely upon the standard test of infringement, that is, likelihood of confusion, deception, or mistake. **Rather, it applies when the unauthorized use of a famous mark reduces the public's perception that the mark signifies something unique, singular, or particular.**"
>
> Ms. Alford then cited *Mortellito*, *supra*, as well as Frank Schechter's seminal definition of dilution in his thesis entitled "The Rational Basis of Trademark Protection," 40 Harv. L. Rev. 813, 825 (1927).

House Judiciary Courts and Intellectual Property Trademarks Legislation: Hearings On H.R. 1295 Before the House Comm. on the Judiciary, Subcomm. on Courts and Intellectual Property, 104th Cong., 1st Sess. (1995).

> **1. The Legislative Intent Of The FTDA On Blurring And Tarnishment, As Forms Of Dilution, Does Not Require Proof Of "Actual Harm"**

The legislative history of the FTDA specifically addresses the protection of a famous mark from dilution by tarnishment as one of its purposes.[8]

8. H.R. REP. NO. 104-374, at 2-3 (1995).

By definition, tarnishment of a famous mark constitutes dilution, and automatically causes harm to a famous mark. The Sixth Circuit found tarnishment of the VICTORIA'S SECRET Mark and stated that Victoria's Secret is entitled to prohibit the use of a mark, which causes dilution of its famous mark, in particular, where the usage of the mark "Victor's Little Secret" on goods, including adult videos, sex toys and adult novelties, tarnishes the mark. *V Secret Catalogue*, 259 F.3d at 467.

The Harvard Law Review, in a commentary on *V Secret Catalogue*, discussed tarnishment and concurred with the Sixth Circuit's conclusion that actual harm is not required and referenced the lack of such a provision in the FTDA. The article stated:

> The value of a mark threatened by tarnishing activity, however, will likely diminish considerably by the time the mark's owner can show actual harm. Because the FTDA provides no remedy for actual harm caused by dilution, a victim of dilution by tarnishing will inevitably suffer irreparable loss if unable to secure an injunction without showing actual harm. Thus, as V Secret Catalogue makes clear, a court need not engage in the complicated, time-consuming Nabisco test to determine whether harm is likely. **Because tarnishing, by definition, causes harm automatically upon triggering in consumers' minds an association between the mark and the tarnishing activity, the simple test employed by the V Secret Catalogue court-whether the allegedly diluting mark triggers such a connection-can appropriately replace the more difficult Nabisco analysis.**

Trademark Law - Federal Trademark Dilution Act - Sixth Circuit Holds That Plaintiffs Need Not Show Actual Harm to Prove Dilution, 115 Harv. L. Rev. 731, 736 (2001). (emphasis added)

The legislative history of the FTDA also specifically addresses the protection of a famous mark from dilution by blurring as one of the purposes of the FTDA.[9] While the Fourth Circuit, in *Ringling Bros.* concluded that proof of actual harm is necessary before granting injunctive relief, the issue before the court was dilution solely by blurring. *Ringling Bros.* is distinguishable from *V Secret Catalogue*, where the issue before the Sixth Circuit was dilution by blurring *and* tarnishment.

C. The Fourth Circuit's Decision in *Ringling Bros.* On The Issue Of Actual Harm Is Contrary To The Intent Of The FTDA

A review of the legislative history of the FTDA does not support the Fourth Circuit's holding in *Ringling Bros.* that the FTDA requires proof of actual harm to a famous mark prior to a finding of liability for dilution and granting injunctive relief.

The *Ringling Bros.* court refused to express an opinion whether the FTDA would require proof of actual harm to the owner of a famous mark where the mark was replicated identically:

> Ringling claims that exact interpretation for the Act where identical marks are involved. Relying on that portion of the legislative history explaining that "the use of DUPONT shoes, BUICK aspirin, and KODAK pianos would be actionable under the [Act]," Ringling asserts that this indicates that in such cases the required "mental association" is "presumed." (Appellant's Br. at 14 quoting (H.R. Rep. No. 104-374, at 3 (1995)). Coupled with Ringling's consistently maintained position that "mental association" equals "dilution," the two in tandem would come to property rights in gross in this narrow circumstance. We need express no view

9. H.R. REP. NO. 104-374, at 2-3 (1995).

> on the significance of this excerpt from legislative history in that circumstance. As Ringling recognizes, it speaks directly only to the effect of an identical replication which is not involved in this case.

Ringling Bros., 170 F.3d at 459, n.5.

While not addressing the issue of identical replication of a famous mark, the *Ringling Bros.* court left open the possibility that, in such a case, dilution could be automatic. In so doing, it implicitly created a double standard, whereby actual harm is not required if there is identical replication of a famous mark, but is required if the replication is not identical.

Victoria's Secret submits that regardless of whether there is an identical or a non-identical replication of a famous mark, the issue of whether dilution has been caused depends upon the facts and should be analyzed in view of the contextual factors, as in *Nabisco*, rather than on whether actual harm to the mark has occurred.

The FTDA only applies to the dilution of famous marks which are distinctive. Further, the legislative intent of the FTDA clearly states that use of famous marks such as "DUPONT shoes, BUICK aspirin and KODAK pianos would be actionable under this legislation".[10] There is no reference to any requirement of actual harm in Congress' example of the dilution of famous marks, which the FTDA was intended to remedy.

Moreover, Congress' intent in enacting the FTDA was to remedy the loss of a famous mark's distinctiveness, not solely its quantifiable economic value, which the *Ringling Bros.* opinion confines the application of the FTDA to. The Senate Judiciary Report on the 1988 dilution bill stated that the Act would apply when the unauthorized use of a famous mark has the effect of destroying the public's perception that the mark signifies something unique, singular, or particular, and

10. H.R. REP. NO. 104-374, at 2-3 (1995).

also noted that the distinctive quality of a mark could be materially reduced during a period of rising sales.[11]

Accordingly, under the FTDA, while a loss of a famous mark's distinctiveness could result in an economic loss, it could also occur when there is an economic gain to the owner of the famous mark.

D. Congress Is Considering Draft Legislation To Amend The FTDA

The intent in enacting the FTDA was to provide a consistent nationwide federal remedy for dilution of famous marks, as state anti-dilution statutes were often inconsistently applied.[12]

Even the Fourth Circuit in *Ringling Bros.* noted this inconsistency and stated:

> **[T]he sheer difficulty that courts have had in getting a firm handle on the basic concept of "dilution" as cryptically expressed in the typical state statute in an unelaborated reference to the "dilution of the distinctive quality of a mark." E.g., N.Y. Gen. Bus. Law § 360-l.**

Ringling Bros., 170 F.3d at 455. (emphasis added)

Many state anti-dilution statutes apply to all marks,[13] whereas the FTDA *only* protects "famous" marks,[14] as defined, from dilution. The enactment of the FTDA provided a narrower nationwide remedy for dilution of famous marks, than the

11. S. REP. NO. 100-515, at 41-45 (1988).

12. H.R. REP. NO. 104-374, at 2-3 (1995).

13. See N.Y. Gen. Bus. Law § 360-l (2001).

14. Contrary to Petitioners' allegation, the FTDA does not create a property right in gross or a "monopoly of use for certain 'famous' words of the English language". Petition at 7.

various state anti-dilution statutes, which provide injunctive relief for the dilution of distinctive marks. While the intent was to provide a consistent national approach to dilution, as evidenced by *Ringling Bros.* and *Nabisco*, the interpretation of the FTDA by the courts has, to date, not been consistent, which has not gone unnoticed.

Recently, on February 14, 2002, Congress[15] heard testimony on the developing split in the Circuits, *see* V, *infra*, with respect to the interpretation of the FTDA and proposed draft legislation amending the Lanham Act to clarify Congress' intent that the standard for injunctive relief is "likely to cause dilution" and the FTDA does not require a showing of actual harm.[16]

III. THE "PLAIN MEANING" OF THE LANHAM ACT AND THE FTDA DO NOT REQUIRE ACTUAL HARM PRIOR TO A FINDING OF DILUTION

A. Trademark Amendments Act Of 1999

Contrary to Petitioners' argument, the Sixth Circuit's decision in *V Secret Catalogue* does not violate this Court's "plain meaning" rule of statutory interpretation, as set forth in *Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 194 (1985) and *United States v. Labonte*, 520 U.S. 751, 757 (1997), that the ordinary meaning of the language employed by Congress accurately expresses the legislative purpose. Petition at 22-24. In fact, an analysis of the Lanham Act and the FTDA indicates that the "plain meaning" of the legislation does not support the Fourth Circuit's finding that actual harm is required prior to a finding of dilution and granting injunctive relief.

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15. Oversight Hearing on The Federal Trademark Dilution Act Before the House Comm. on the Judiciary, Subcomm. on Courts, The Internet and Intellectual Property, 107th Cong., 2d Sess. (2002); *see* Appendix A, *infra*, 1a-50a.

16. The proposed draft legislation is attached. *See* Appendix B, *infra*, 51a-52a.

Pursuant to the Trademark Amendments Act of 1999,[17] Section 2 of the Lanham Act, 15 U.S.C. § 1052, provides, in pertinent part:

> A mark which when used would cause dilution under section 43(c) may be refused registration under section 13. A registration for a mark which when used would cause dilution under section 43(c) may be canceled pursuant to a proceeding brought under either section 14 or section 24.

In addition, Section 13(a) of the Lanham Act, 15 U.S.C. § 1063(a), was also amended, to now provide, in pertinent part:

> Any person who believes that he would be damaged by the registration of a mark upon the principal register, including as a result of dilution under section 43(c), may, upon payment of the prescribed fee, file an opposition in the Patent and Trademark Office, stating the grounds therefor . . .

Thus, Sections 2 and 13 of the Lanham Act now provide that a mark shall be refused registration on the principal register and an opposition may be filed against registration of such mark, if it "would cause dilution under section 43(c)"; and are not defined in accordance with a "likelihood of dilution" standard. 15 U.S.C. § 1052.

In accord with these amendments, an opposition proceeding may be commenced against registration of a mark published for opposition, regardless of whether such mark has actually been used or not, and is merely the subject an intent-to-use application under Section 1(b) of the Lanham Act. *The Toro Co. v. ToroHead, Inc.*, 61 U.S.P.Q.2d 1164, 1174 n.7 (TTAB 2001). *See also* H.R. REP. NO. 106-250, at 5-6 (1999).

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17. Trademark Amendments Act of 1999, Pub. L. No. 106-43, 113 Stat. 218 (1999).

Thus, the plain meaning of the Lanham Act is that the causation of dilution under Section 43(c) does *not* require actual use of a mark, as an opposition proceeding based on dilution can be brought against a mark that is not in use, only intended to be used, and that, proof of actual harm is not required, nor can it be shown.

Petitioners urge a tortured interpretation, which does not permit the various sections of the Lanham Act to be harmonized, as is required by well established rules of statutory interpretation. *Markham v. Cabell*, 326 U.S. 404, 411 (1945).

B. The *Ringling Bros.* Opinion Contravenes the "Plain Meaning" of the FTDA and the Lanham Act

The Fourth Circuit's interpretation of the phrase "causes dilution" in Section 43(c) of the Lanham Act as requiring "actual harm to the senior marks' economic value as a product-identifying and advertising agent" to be proven, and Petitioners' argument in support thereof, are contradicted by the plain meaning of the Lanham Act and the intent of Congress when the Lanham Act was amended by the Trademarks Amendments Act of 1999. *Ringling Bros.*, 170 F.3d at 453.

The Fourth Circuit also interpreted the definition of dilution in Section 45 of the Lanham Act, 15 U.S.C. § 1127, namely, that "the term dilution means *the lessening of the capacity* of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of (1) competition between the owner of a famous mark and other parties, or (2) likelihood of confusion, mistake, or deception" (emphasis added) and held that:

> The literal parsing argument for mere threatened, future economic harm focuses on the word "capacity" in the Act's definition of "dilution" as the "lessening of the capacity of a famous mark to identify and distinguish goods or services."

15 U.S.C. § 1127. "Capacity," the argument runs, necessarily imports futurity; it means in this context the ability of a mark continuously over future time to "identify and distinguish," even if it has not yet suffered any lessening of that ability. **We cannot accept that interpretation as a matter of the Act's plain meaning. We think it is belied both by the word's ordinary intrinsic meaning and by its use in context. One can surely speak expressly of "present capacity," or of "future capacity," or of a "former capacity," but unless it is so temporally modified or otherwise given its intended temporal meaning, the word is neutral in that respect. In context here, it is plain that the "capacity" spoken of is "former capacity."** The verb of which it is the object is the clear indicator; the conduct proscribed is that which "lessens" capacity, not that which "will" or "may" lessen. Id. There are other contextual indicators. The conduct proscribed is "another person's . . . use," not merely threatened use; that "causes," not that "will" or "may" cause. Id. § 1125(c)(1). Unlike the state antidilution statutes which provide only injunctive relief, reflecting their sole focus on prevention of future harm, the federal Act provides that where willful conduct is shown, both compensatory and restitutionary relief may be awarded—for necessarily consummated economic harm. Id. §§ 1125(c)(2), 1117(a), 1118.

Ringling Bros., 170 F.3d at 460-461. (emphasis added).

The Fourth Circuit's interpretation of the definition of dilution contradicts the plain meaning of Section 43(c)(2) of the Lanham Act, which provides for injunctive relief upon a showing of dilution under Section 43(c)(1) and for monetary relief pursuant to Section 35 of the Lanham Act, 15 U.S.C. § 1117, upon a showing of willful intent to cause dilution.

Injunctive relief is, as the Fourth Circuit recognizes, intended for the prevention of future harm. Thus, to obtain injunctive relief, actual harm need not be shown; it is enough to show a likelihood of harm. In contrast, monetary relief is a form of restitution for past harm and upon a showing of willful intent to cause dilution, the owner of a famous mark is entitled to such remedy pursuant to Section 43(c)(2).

Historically, under the Lanham Act, there has been a distinction between likelihood of confusion, which results in injunctive relief, and actual harm or confusion, which is required to obtain monetary relief. As the Second Circuit held in *George Basch Co. v. Blue Coral, Inc.*, 968 F.2d 1532, 1541 (2d Cir. 1992), *cert. denied*, 506 U.S. 991 (1992) (holding that willful intent to deceive is necessary to obtain an accounting of profits in a claim of trademark infringement):

> Of course, even when a likelihood of confusion does arise, that does not inexorably lead to the conclusion that the defendant acted with deliberate deceit. Depending upon the circumstances, consumer confusion might as easily result from an innocent competitor who inadvertently crosses the line between a "free ride" and liability, as it could from a defendant's intentionally fraudulent conduct.

The Fourth Circuit, by requiring proof of actual harm to establish liability for causing dilution under Section 43(c)(1), which results in injunctive relief, is conflating the standard required for liability with that set forth under Section 43(c)(2), that to obtain monetary relief; willful intent to cause dilution or actual harm must be shown.

C. The *Ringling Bros.* Opinion Also Contravenes The Intent Of The Lanham Act

Section 45 of the Lanham Act, 15 U.S.C. § 1127, provides, in pertinent part, that the intent of the Act is:

> **to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce;** . . . (emphasis added)

Section 32(a) of the Lanham Act, 15 U.S.C. § 1114, provides, in pertinent part:

> Any person who shall, without the consent of the registrant- (a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is **likely to cause confusion, or to cause mistake, or to deceive;** . . .
>
> shall be liable in a civil action by the registrant for the remedies hereinafter provided. **Under subsection (b) hereof, the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such imitation is intended to be used to cause confusion, or to cause mistake, or to deceive.** (emphasis added)

The intent of the Lanham Act is to protect consumers from confusion as to the source and quality of goods and to protect the intangible goodwill inherent in trademarks,[18] which is not necessarily quantifiable in terms of actual economic harm. The Lanham Act provides for injunctive relief for trademark

18. S. REP. NO. 1333, at 3 (1946).

infringement, upon a finding of likelihood of confusion, mistake or deceit. It is not necessary to prove actual confusion or harm, to obtain injunctive relief for a claim of trademark infringement.

Dilution, which seeks to protect the distinctiveness of a famous mark and which is defined, in part, as the lessening of the capacity of a famous mark to identify and distinguish goods, is also not necessarily quantifiable in terms of actual economic harm. A junior user's use of a mark may cause dilution of the senior user's famous mark, without necessarily causing immediate actual economic harm. The Lanham Act provides for injunctive relief against dilution when it occurs. If dilution of a famous mark were allowed to continue until actual economic harm is shown to the famous mark, the intangible goodwill in, and value of, such a famous mark would likely be irreparably destroyed.

To require, as *Ringling Bros.* does, proof of actual economic harm, prior to finding dilution and granting injunctive relief, is to impose a stricter standard for dilution, which is a broader concept than infringement, than the Lanham Act requires for infringement, which only requires a likelihood of confusion.

The *Nabisco* (and *V Secret Catalogue*) courts' decisions are in accord with the plain meaning and intent of the Lanham Act and FTDA and, contrary to Petitioners' argument, do not "indulge in a presumption that there will be future harm to the senior mark". Petition at 6.

IV. THE SECOND CIRCUIT'S ANALYSIS OF THE FTDA IN *NABISCO* CORRECTLY REJECTED THE FOURTH CIRCUIT'S *RINGLING BROS.* OPINION THAT THE FTDA REQUIRES ACTUAL HARM

The Second Circuit *Nabisco* court correctly defined the heart of what dilution law is intended to prevent as the "'gradual diminution or whittling away of the value of the famous mark by blurring uses by others.'" *Nabisco*, 191 F.3d at 214 (citing

Nabisco, Inc. v. PF Brands, Inc., 50 F. Supp. 2d 188, 209-10 (S.D.N.Y. 1999)). The Second Circuit's analysis is in accord with the definition of dilution in the FTDA, as enacted by Congress, and the theory of dilution developed by Schechter.

In interpreting the FTDA, the *Nabisco* court held that the famous mark must be distinctive and the junior mark must cause dilution of the distinctive quality of the senior mark:

> It is quite clear that the statute intends distinctiveness, in addition to fame, as an essential element. The operative language defining the tort requires that "the [junior] person's . . . use . . . cause[] dilution of the distinctive quality of the [senior] mark." 15 U.S.C. § 1125(c)(1). **There can be no dilution of a mark's distinctive quality unless the mark is distinctive.** Furthermore, the statute lists factors to be considered in determining "whether the mark is distinctive and famous." Id. Clearly both qualities are required.
>
> The requirement of distinctiveness is furthermore an important limitation. A mark that, notwithstanding its fame, has no distinctiveness is lacking the very attribute that the antidilution statute seeks to protect . . . **It seems most unlikely that the statute contemplates allowing the holders of such common, albeit famous, marks to exclude all new entrants. That is why the statute grants that privilege only to holders of distinctive marks.**

Nabisco, 191 F.3d at 216. (emphasis added)

The *Nabisco* court specifically addressed the *Ringling Bros.* court's interpretation of the FTDA as requiring actual harm to a famous mark, yet rejected its interpretation as not being in accord with the intent of the FTDA:

> Relying on a recent decision by the Fourth Circuit, Nabisco also asserts that proof of dilution under the

FTDA requires proof of an "actual, consummated harm." *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Dev.*, 170 F.3d 449, 464 (4th Cir. 1999). We reject the argument because we disagree with the Fourth Circuit's interpretation of the statute.

It is not clear which of two positions the Fourth Circuit adopted by its requirement of proof of "actual dilution." *Id.* The narrower position would be that courts may not infer dilution from "contextual factors (degree of mark and product similarity, etc.)," but must instead rely on evidence of "actual loss of revenues" or the "skillfully constructed consumer survey." *Id.* at 457, 464-65. This strikes us as an arbitrary and unwarranted limitation on the methods of proof.

* * *

"Contextual factors" have long been used to establish infringement. We see no reason why they should not be used to prove dilution. n5.

n5 The Fourth Circuit seemed to believe that the unacceptable alternative was to rely on inflexible "judicial presumptions." *Id.* at 464. In our view no presumptions are involved. As in infringement actions (and virtually all other areas of law) facts may be found by drawing logical inferences from other established facts.

The broader reading of the Fourth Circuit's "actual, consummated" dilution element would require not only that dilution be proved by a showing of lost revenues or surveys but also that the junior be already established in the marketplace before the senior could seek an injunction. We recognize that the

language of the statute gives some support to this reading, in that it uses the formulation, "causes dilution," rather than referring to "likelihood of dilution." *Ringling Bros.*, 170 F.3d at 464. In our view, however, such a reading depends on excessive literalism to defeat the intent of the statute. **Notwithstanding the use of the present tense in "causes dilution," it seems plausibly within Congress's meaning to understand the statute as intending to provide for an injunction to prevent the harm before it occurs.**

To read the statute as suggested by the Ringling opinion would subject the senior user to uncompensable injury. The statute could not be invoked until injury had occurred. And, because the statute provides only for an injunction and no damages (absent willfulness), see 15 U.S.C. § 1125(c)(2), such injury would never be compensated.

* * *

> In any event, we read the statute to permit adjudication granting or denying an injunction, whether at the instance of the senior user or the junior seeking declaratory relief, before the dilution has actually occurred.

Nabisco, 191 F.3d at 223-225. (emphasis added)

Respondents submit that the Sixth Circuit in *V Secret Catalogue* correctly adopted the Second Circuit's decision in *Nabisco* holding that actual harm is not required prior to finding injunctive relief.

V. THE MAJORITY OF CIRCUITS AND DISTRICT COURTS APPLY THE *NABISCO VIEW* OF THE FTDA AND REJECT THE *RINGLING BROS. VIEW*

The Sixth Circuit is not alone in its adoption of the *Nabisco* view of the FTDA.

The Seventh Circuit explicitly adopted the *Nabisco* decision in *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 468 (7th Cir. 2000). In addition, the Third Circuit in *Times Mirror Magazines, Inc. v. Las Vegas Sports News, L.L.C.*, in a majority opinion applied the Second Circuit's dilution analysis in *Nabisco* to the facts and the dissenting opinion agreed with the majority's implicit rejection of the Fourth Circuit's *Ringling Bros.* opinion. *Times Mirror*, 212 F.3d 157, 168-169, 179 n.11 (2000).

Further, the First Circuit in *I.P. Lund Trading ApS v. Kohler Co.*, 163 F.3d 27, 49 (1st Cir. 1998), rejected the requirement that a plaintiff claiming dilution must demonstrate a lessening of demand for its products in *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 955 F. Supp. 605, 616 (E.D. Va. 1997).

In contrast, the Fourth Circuit's decision in *Ringling Bros.* has only been adopted by *one* other circuit, namely, the Fifth Circuit in *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658, 670 (5th Cir. 2000), which was adopted without analysis.

In sum, the *Nabisco* decision prevails over the *Ringling Bros.* opinion in the Circuits by a majority of 5-2.

Moreover, an analysis of the Circuits' and district courts' opinions reveals that a majority of courts are applying the *Nabisco* factors to an analysis of dilution under the FTDA, as the Sixth Circuit did in *V Secret Catalogue*. *See* Appendix C, *infra*, 53a-54a.

In view of the foregoing, Respondents submit that the *Ringling Bros.* opinion, for which the Supreme Court denied a petition for a writ of certiorari,[19] and which was rejected in *V Secret Catalogue*, is a divergent decision.

Accordingly, at this time, the intervention of the Supreme Court is not necessarily required in this case, and the issue raised by Petitioners could be deferred to the Congress. This would not be the first issue the Supreme Court had declined to address in which there were divisions within the Circuits on the issue. *See George Basch Co. v. Blue Coral, Inc.*, 506 U.S. 991 (1992).

Moreover, Congress is now in the process of hearing testimony on the developing split in the Circuits with respect to the interpretation of the FTDA and considering draft legislation to amend the Lanham Act to provide for a "likely to cause dilution" standard, which would clarify Congress' intent that the FTDA does not require a showing of actual harm in order to obtain injunctive relief for dilution. *See* Point II. D., *supra*; Appendix B, *infra*, 51a-52a.

In sum, Petitioners' argument that the Fourth Circuit's requirement of actual economic harm in *Ringling Bros* is an objective standard and the Second and Sixth Circuits' decisions in *Nabisco and V Secret Catalogue* are a subjective standard is not only irrelevant; it ignores the fact that the Fourth Circuit's decision in *Ringling Bros.* and the Fifth Circuit's endorsement of such a position in *Westchester Media*, 214 F.3d 658, directly contradict the plain meaning and legislative history and intent of the FTDA.

Petitioners' argument is a goal oriented argument of statutory interpretation and construction, which is patently intended to focus the Court on an improper dichotomy, placing greater value, without a basis for doing so, on a so-called objective standard based on "actual economic harm" (*Ringling*

19. 528 U.S. 923 (1999).

Bros.) over a subjective standard based on "likelihood of dilution" (*Nabisco*).

CONCLUSION

For the foregoing reasons, Respondents respectfully submit that Petitioners' Petition for a Writ of Certiorari should be denied.

Respectfully submitted,

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APPENDIX

APPENDIX A — "OVERSIGHT HEARING ON THE FEDERAL TRADEMARK DILUTION ACT", FEBRUARY 14, 2002

SUBCOMMITTEE ON COURTS, THE INTERNET AND INTELLECTUAL PROPERTY

COMMITTEE ON THE JUDICIARY
U.S. HOUSE OF REPRESENTATIVES

OVERSIGHT HEARING
ON
"THE FEDERAL TRADEMARK DILUTION ACT"

Thursday, February 14, 2002
2141 Rayburn House Office Building
10:00 a.m.

WITNESS LIST

Kathryn Barrett Park, Executive Vice President, International Trademark Association (INTA)

Michael K. Kirk, Executive Director,
American Intellectual Property Law Association (AIPLA)

Sherry L. Jetter, Esq., Vice President, Intellectual Property
Polo Ralph Lauren Corporation

Ethan Horwitz, Partner, Darby and Darby, P.C.

Appendix A

STATEMENT OF
THE HONORABLE HOWARD COBLE,
CHAIRMAN SUBCOMMITTEE ON COURTS,
THE INTERNET, AND INTELLECTUAL PROPERTY

HEARING ON
THE FEDERAL TRADEMARK DILUTION ACT

February 14, 2002

Good Morning. The Subcommittee will come to order.

We communicate through words and symbols on a daily basis. The trademarks for our favorite – *fill in the blank yourself* – product or service, whether it is our favorite automobile, sports team, beverage, and the list goes on, immediately makes it known to us and the world. The foundation of trademark law is that certain words, images, and logos convey meaningful information to the public including the source, quality, and goodwill of a product or service. Unfortunately, there are those in both commercial and non-commercial settings that would seize upon the popularity of someone's trademark for their own purposes, at the expense of the mark-holder and the public.

During the 104th Congress, the Federal Trademark Dilution Act, or FTDA, was enacted. It sought to create a degree of national uniformity to the law and certainty regarding the protection of trademarks. Dilution refers to that conduct that lessens the distinctiveness and value of a mark It includes several types of conduct such as what is known as "tarnishment" and "blurring," which may have devastating effects for everyone involved, but most alarmingly, on consumers and the public.

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Now, more than five years after its enactment, it is appropriate for our Subcommittee to review the success of the FTDA, and whether any amendments are needed. We are fortunate to be joined by a talented panel whose expertise in trademark law ranges from litigation, to corporate counsel, to those regularly engaged with us concerning public policy. In my view, I am most interested in learning whether the courts are properly interpreting the FTDA according to our congressional intent and why there appears a split developing among the federal circuit courts of appeal.

I now turn to the Ranking Member, Mr. Berman, for his statement.

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Statement of the Honorable Howard L. Berman
for the
Subcommittee on Courts, the Internet, and
Intellectual Property Hearing on
"The Federal Trademark Dilution Act"

February 14, 2002

Mr. Chairman:

I am pleased to join you at this hearing today. My thanks to our distinguished witnesses for appearing here and sharing their expertise on trademark dilution.

It has been about six years since we enacted the Federal Trademark Dilution Act. Thus, sufficient time has passed to allow us to review whether the Dilution Act has accomplished its objectives, and to see how the Act has been interpreted by the courts. I commend the Chairman for diligently exercising the Subcommittee's oversight responsibility by calling this hearing.

The 1995 House Judiciary Committee Report on the Dilution Act essentially constitutes the whole legislative history of the Act. As that Report indicates, the purpose of the Act is "to protect famous trademarks from subsequent uses that blur the distinctiveness of the mark or tarnish or disparage it." Further, as state trademark dilution laws were spotty and inconsistent at the time, the Dilution Act was designed to "bring uniformity and consistency to the protection of famous marks."

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While the Dilution Act has demonstrated obvious utility in a number of court cases over the past six years, it appears to have fallen short of achieving its objective of providing a uniform, national dilution law. This failure is due to a significant split among the Circuits over proper interpretation of a key element of the Dilution Act. This split has lead to the undesirable result that, in effect, a different Dilution law applies depending on the judicial circuit in which one is located.

In short, the Fourth and Fifth Circuits have interpreted the Dilution Act to require, among other things, demonstration of actual dilution to maintain a case under the Act. The First, Second, Third, and Seventh Circuits, on the other hand, only require demonstration of a likelihood to cause dilution. The Supreme Court has evidenced no inclination to resolve this split.

The unresolved split among the Circuits seems to necessitate further legislative clarification. Certainly, it is the responsibility of Congress to step in and clarify the meaning of statutes over which the courts significantly differ.

While I am persuaded we should clarify the Dilution Act to provide one clear standard, I am as yet unsure of the appropriate standard. I look forward to hearing the educated opinions of our witnesses about the standard we should adopt.

The two standards adopted by the conflicting circuits appear to each have their pros and cons. Certainly, the "actual dilution" standard adopted by the Fourth and Fifth Circuit is consistent with a reasonable interpretation of the actual language of the Dilution Act. However, that standard seems rather restrictive, and may lead to absurd results.

For instance, an "actual dilution" standard means that injunctions, which are the exclusive remedy for non-willful violations of the Dilution Act, can only be secured *after* a trademark has been diluted. Thus, injunctions can only stop further dilution, but cannot stop or remedy prior dilution. Further, mark owners face the threat that they will be found to have abandoned their marks if they fail to aggressively police and prevent infringement and dilution of their marks. An actual dilution standard, however, requires a mark holder to countenance some dilution before she can file a dilution claim. Lastly, an actual dilution standard prevents an upstart company from seeking a declaratory judgement that its junior mark will *not* dilute a senior mark, and thus causes the upstart to risk the loss of any investment in use of a junior mark that is later enjoined as dilutive.

The likelihood of dilution standard also has its pros and cons. While it is less supportable from a statutory interpretation perspective, it can clearly be inferred from the current statute. A likelihood of dilution standard would seem more closely aligned with the purposes of the original dilution statute, both by more effectively preventing dilution and by creating a uniform national standard. Indeed, the twenty or more states that have their own dilution statutes have overwhelmingly adopted a likelihood of dilution standard.

However, a likelihood of dilution standard is not without its drawbacks. There is the question of whether such a standard goes too far, and in contravention of the rationale for trademark protection, would create a property right in gross in marks. Further, even those courts that have applied a likelihood of dilution standard have disagreed about the level

of proof necessary to prove such a likelihood. Finally, there is a question about the effect such a standard will have on the longstanding principle of trademark law that similar or identical marks can coexist, often in the same markets or on similar products or services in different markets.

Once again, I look forward to hearing from our witnesses about the appropriate way to resolve the split in the circuits. I look forward to working with the Chairman to achieve that end.

I yield the balance of my time.

Appendix A

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Oversight Hearing on the Federal Trademark Dilution Act

Kathryn Barrett Park
Executive Vice President
International Trademark Association

U.S. House of Representatives
Subcommittee on Courts, the Internet and
Intellectual Property
February 14, 2002

Introduction

Good morning, Mr. Chairman. My name is Kathryn Barrett Park, and I currently serve as the executive vice president of the International Trademark Association ("INTA"). I am employed by INTA member General Electric as trademark counsel. As do all INTA officers, board members and committee members, I serve on a voluntary basis.

INTA supports and encourages legislative action to amend the Trademark Act of 1946 (Lanham Act)[1] to address the proper standard for injunctive relief under the Federal Trademark Dilution Act of 1995 (FTDA).[2] INTA believes that the owner of

1. 15 U.S.C. § 1051, et seq.

2. Pub. L. No. 104-98, 109 Stat. 505 (1995).

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a famous trademark should be required to show a "likelihood of dilution" for an injunction to issue and that this was the intent of Congress when it adopted the FTDA. As the legislative history of the FTDA notes:

> Dilution is an injury that differs materially from that arising out of the orthodox confusion. Even in the absence of confusion, the potency of a mark may be debilitated by another's use. T[illegible] the essence of dilution. Confusion leads to immediate injury, while dilution is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark."[3]

The FTDA was designed by Congress to maintain the vitality of famous trademarks. The dilution statute is meant to quarantine the dilution "infection" before it takes hold, rather than require a plaintiff to wait until the "potency" or economic value of the famous mark has been "debilitated," thereby damaging forever the effectiveness and reputation of the mark. It was for this reason that Congress specified that injunctive relief would be the primary remedy in dilution cases. An injunction permits the owner of a famous mark to stop the erosion of the value of the mark, harm for which later monetary relief would be inadequate.

However, at present, due to a difference in interpretation among circuit courts over the meaning of the dilution statute, there is confusion as to what is the proper standard for injunctive relief: "actual dilution," that is, the current

3. H.R. Rep. No. 104-374, 104th Congress (1995) (citing Mortellito v. Nina of Cal., Inc., 335 F. Supp. 1288, 1296 (S.D.N.Y. 1972)).

debilitation of the economic value of the famous mark or, alternatively, the "likelihood of dilution," referring to the future loss of economic value of the famous mark if the injunction is not granted. To clarify Congress' original intent and ensure the preservation of the effectiveness and reputation of famous trademarks, INTA believes that legislation should be adopted that explicitly states that "likelihood of dilution" is the proper standard.

INTA is a 123-year-old not-for-profit organization comprised of over 4,000 member companies and firms. It is the largest organization in the world dedicated solely to the interests of trademark owners. The membership of INTA, which crosses all industry lines and includes both manufacturers and retailers, values the essential role that trademarks play in promoting effective commerce, protecting the interests of consumers, and encouraging free and fair competition. Since the adoption of the Lanham Act almost 56 years ago, INTA has consistently worked with the Congress in updating the Act to meet the changing economic and legal landscapes.

Dilution of Famous Trademarks

The protection of marks from dilution differs from the protection accorded marks from trademark infringement. Dilution does not rely upon the standard test of infringement, that is the likelihood of confusion, deception, or mistake. Rather, dilution comes into play when the unauthorized use of a famous mark reduces the public's perception that the mark signifies something unique, singular, or particular.

There are two types of dilution: blurring and tarnishment. Blurring occurs when consumers "see the plaintiff's mark

used by other persons to identify other sources," so that the "unique and distinctive significance of the mark to identify and distinguish one source may be diluted and weakened."[4] Examples of blurring would include such fictional examples as BUICK aspirin tablets and KODAK pianos.[5] Tarnishment arises when a famous trademark is linked to products of inferior quality, or is portrayed in an immoral or reprehensible context likely to evoke negative beliefs about the mark's owner. An example of the tarnishment might be GARBAGE PAIL KIDS cards, where the cards "derisively depict dolls with features similar to Cabbage Patch Kids dolls in rude, violent and frequently noxious settings."[6]

The Federal Trademark Dilution Act of 1995

Congress passed the FTDA with the goal of creating a uniform anti-dilution law. Prior to the enactment of the FTDA, the issue of trademark dilution was left to the state courts. There was no federal statute by which famous trademarks could be protected against blurring and tarnishment. Judicial decisions involving dilution were "inconsistent, the reasoning often illogical."[7] In short, there was a "trademark vacuum."[8]

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4. 4 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 24:94, at 24-120 (4th ed. 2001).

5. See Mead Data Central, Inc. v. Toyota Motor Sales, U.S.A., Inc. 875 F.2d 1026, 1031 (2d Cir. 1989).

6. Original Appalachian Artworks, Inc. v. Topps Chewing Gum, 642 F.Supp. 1031 (N.D.Ga. 1986).

7. United States Trademark Ass'n, *The Trademark Law Revision Act of 1988*, at 94 (1989).

8. USTA, supra note 5 at 94.

The matter of a statutory trademark dilution provision was addressed in the 104th Congress. After a hearing before this subcommittee in which there were several witnesses testifying in support of the dilution amendment and unanimous adoption of the bill by both houses of Congress, the FTDA was signed into law on January 16, 1996. Adoption of the FTDA also brought the U.S. in line with the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), which includes a provision designed to provide dilution protection to well-known marks.[9]

Now in effect for over six years, the FTDA sets out criteria that a court may consider in determining whether a mark is famous.[10] The FTDA further provides that "the owner of a famous mark shall be entitled . . . to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark."[11]

Injunctive Relief: Congress' Intent to Stop Dilution Before It Takes Hold

Protection against dilution of a famous trademark is an incipiency concept that does not require the mark owner to wait until provable damage has occurred before asking the court for relief.[12] The goal is to recognize the danger posed to famous

9. H.R. Rep. No.104-374, supra note 3.

10. 15 U.S.C. § 1125(c)(1).

11. Id.

12. See Jerre B. Swann, Sr., Dilution Redefined for the Year 2000, 37 Houston Law Rev. 729, 765-766 (2000), reprinted in 90 Trademark Rep. 823, 858-860.

marks by what Senator Orrin Hatch referred to upon his introduction of the FTDA as *"subsequent uses* [of the junior user's mark] that blur the distinctiveness of the [famous] mark or tarnish or disparage it."[13] Upon recognizing the danger posed by the "subsequent uses," the next step is to take action that would protect against the mark losing its "arresting uniqueness."[14] As Congress recognized, the right tool for the job is an injunction.

Injunctions are tailor-made for disputes involving trademark dilution. An injunction is a protective remedy that will prevent continuing or threatened harm.[15] For this reason, an injunction is a famous trademark owner's most potent weapon to stop the "infection" that is dilution. The injunction stops the harm that if allowed to continue would lead to permanent injury of the famous trademark through either blurring or tarnishment. Injunctive relief preserves the distinctive character of the famous trademark and allows the mark owner to ensure that damage to the reputation of the mark is brought to a halt before the mark's potency and effectiveness are gone forever.

13. 141 Cong. Rec. S19310-11 (daily ed. Dec. 29, 1995) (statement of Sen. Hatch)(emphasis added); see also 4 McCarthy, supra note 4, § 24:74, at 24-133 ("The traditional remedy against dilution is an injunction against the offending usage.").

14. Frank I. Schechter, The Rational Basis of Trademark Protection, 40 Harv. L. Rev. 813(1927), as reprinted in 60 Trademark Rep. 334, 345.

15. See *Black's Law Dictionary* 784 (6th ed.).

The selection of injunctive relief by Congress as the principal means by which a court may grant relief to a famous trademark owner who alleges that another party has diluted its mark is convincing evidence that Congress meant that the standard for trademark dilution is the "likelihood" standard.[16] The legislative history of the FTDA repeatedly refers to the dilution amendment as a device meant to "protect" against harm to the famous mark caused by "subsequent" or "future acts," precisely what injunctions are supposed to do.[17] Imposing an "actual dilution" standard requires famous trademark owners to suffer irreparable, crippling harm to the economic value of the mark before the court will grant injunctive relief. Once the economic harm or dilution has occurred, the damage that has taken place with respect to a famous trademark cannot be restored. As noted by courts in two recent dilution cases:

> By the time plaintiffs were permitted to file suit, . . . junior mark holders might have the defense that the senior mark had lost its distinctiveness due to the numerous other marks that had copied it. Senior

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16. Supra note 10 ("[T]he owner of a famous mark shall be entitled . . . to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark.") (emphasis added).

17. See, e.g., H.R. Rep. No. 104-374, supra note 3 ("The purpose of H.R. 1295 is to protect famous trademarks from subsequent uses that blur the distinctiveness of the mark or tarnish or disparage it." (emphasis added)); see also id. ("H.R. 1295 would . . . create a federal cause of action to protect famous marks" from having their distinctive quality diluted. (emphasis added)).

> mark holders would also be open to the argument that they had failed actively to protect their marks.[18]

The remedy of injunctive relief at the point at which actual economic harm due to dilution had already occurred would be ineffective. The "communicative clarity" of the mark has been lost.[19] INTA believes such a scenario to be contrary to the original purpose behind the adoption of statutory protections against dilution.

The Need for Clarification

Despite Congress' original intent as evidenced by the selection of injunctive relief as the principal remedy, some circuit courts have interpreted the phrase "causes dilution" in the statute to mean that a plaintiff must establish *actual* harm in order to prevail in a dilution claim under the FTDA.[20] These courts have found that the "causes dilution" language requires a showing that a challenged mark has actually lessened the senior mark's selling power and has caused concomitant economic harm to its value.[21]

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18. Eli Lilly & Co. v. Natural Answers Inc., 233 F.3d 456, 467-68 (7th Cir. 2000) (citing Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208, 224 (2d Cir. 1999)).

19. Swann, supra note 11 at 768, 90 Trademark Rep. at 860.

20. Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev., 170 F.3d 449 (4th Cir. 1999); Westchester Media v. PRL USA Holdings, Inc., 214 F.3d 658, 670 (5th Cir. 2000).

21. *Ringling Bros.*, 170 F.3d at 458.

Other circuit courts have granted the plaintiff relief upon a showing that there is a *likelihood* that the plaintiff's mark will be diluted.[22] These courts have rejected an actual economic harm requirement. They have found that the intent of Congress in adopting the FTDA was to afford plaintiffs a remedy before dilution has caused actual harm to the senior mark and that to require plaintiffs to prove actual economic harm would "make bringing a successful claim under the FTDA unreasonably difficult."[23] Some courts have gone so far as to say that an "actual dilution" standard would hold the plaintiff to an impossible level of proof.[24]

Inconsistent standards from circuit to circuit make it much more difficult for a famous mark owner to conduct business nationwide. It also leads to forum-shopping, something this subcommittee sought to prevent when it drafted the FTDA.[25] To correct this inconsistency and clarify Congress' original

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22. I.P. Lund Trading ApS, Inc. v. Kohler Co., 163 F.3d 27, 49 (1st Cir. 1998); Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208, 224 (2d Cir. 1999); Times Mirror Magazines, Inc. v. Las Vegas Sports News, L.L.C., 212 F.2d 157, 168-69 (3d Cir. 2000); V Secret Catalogue, Inc. v. Moseley, 259 F.3d 464 (6th Cir. 2001), *petition for certiorari filed* (January 2, 2002); Eli Lilly & Co. v. Natural Answers Inc., 233 F.3d 456, 467-68 (7thCir. 2000); Avery Dennison Corp. v. Sumpton, 189 F.3d 868, 873-74 (9th Cir. 1999).

23. *V Secret*, 249 F.3d at 476.

24. *Eli Lilly*, 189 F3d at 468.

25. See H.R. Rep. No. 104-374, supra note 3, at 4 ("Protection for famous marks should not depend on whether the forum where the suit is filed has a dilution statute. This simply encourages forum-shopping and increases the amount of litigation.").

intent, INTA recommends that amendments be incorporated into the Lanham Act that explicitly state that "likelihood of dilution" is the proper standard.

Conclusion

Thank you, again, Mr. Chairman, for the opportunity to present INTA's views on the present need to clarify Congress' original intent that "likelihood" be the proper standard for trademark dilution. We look forward to working with this subcommittee and its staff in crafting legislation toward that end. In moving forward with legislation, Congress will be taking an important and affirmative step towards preserving special symbols of creativity from irreparable harm.

Appendix A

AIPLA
American Intellectual Property Law Association
2001 Jefferson Davis Highway ▪ Suite 203 ▪ Arlington, Virginia 22202

STATEMENT OF

MICHAEL K. KIRK
EXECUTIVE DIRECTOR
AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION

Before the

SUBCOMMITTEE ON COURTS,
THE INTERNET AND INTELLECTUAL PROPERTY
COMMITTEE ON THE JUDICIARY
UNITED STATES HOUSE OF REPRESENTATIVES

on

TRADEMARK DILUTION

February 14, 2002

Mr. Chairman:

I am pleased to have the opportunity to present the views of the American Intellectual Property Law Association (AIPLA) on the need to amend the trademark law to eliminate the conflicts which have arisen in the interpretation of the Federal Trademark Dilution Act of 1995.

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The AIPLA is a national bar association of more than 13,000 members engaged in private and corporate practice, in government service, and in the academic community. The AIPLA represents a wide and diverse spectrum of individuals, companies and institutions involved directly or indirectly in the practice of patent, trademark, copyright, and unfair competition law, as well as other fields of law affecting intellectual property.

SUMMARY

The AIPLA believes that the Trademark Act of 1946 (Lanham Act) should be amended to clarify the standard for proving dilution of a "famous" mark. The federal courts of appeals have issued conflicting decisions on this issue. Some courts premise relief upon a showing of a "likelihood of dilution," while other courts require proof of actual, consummated injury. The AIPLA supports enactment of a likelihood of dilution standard. In our view, such a standard is more consistent with the policy objectives of dilution law and more accurately reflects the intent of Congress when it enacted the "Federal Trademark Dilution Act of 1995."

BACKGROUND

The concept of dilution may be traced back to the 1927 seminal article by Frank I. Schechter entitled "The Rational Basis of Trademark Protection," 40 *Harvard Law Review* 813. According to Schechter, dilution is designed to protect against "the **gradual** whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use upon non-competing goods." (emphasis added)

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Approximately one-half of the states have enacted dilution laws. For the most part, these state laws are patterned after the Model State Trademark Bill, which provided relief for the "likelihood of injury" to business reputation or for dilution of the distinctive quality of a mark. Recognizing that famous marks, ordinarily, are used on a nationwide basis and that judicial decisions interpreting and applying state dilution laws were inconsistent, this Subcommittee, under the leadership of then Chairman Carlos Morehead, crafted federal legislation to protect famous marks against dilution. This legislation, the "Federal Trademark Dilution Act of 1995" was passed by Congress and codified in Section 43(c) of the Lanham Act. As noted in the Report of the Committee on the Judiciary (Rpt. 104-374), "the federal remedy provided in H.R. 1295 against trademark dilution will bring uniformity and consistency to the protection of famous marks. . . ."

Section 43(c) provides, in part, that the owner of a famous mark is entitled to relief against another person's commercial use in commerce of a mark, "if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark." In response to a decision of the Trademark Trial and Appeal Board refusing to permit the opposition to a mark on the basis that it would cause dilution, Congress further amended the Lanham Act in 1999 to provide that a mark which when used would cause dilution under section 43(c) may be refused registration and that a registration for such a mark may be cancelled (*Babson Bros. v. Surge Power Corp.*, 39 USPQ2d 1953 (TTAB 1996)).

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CONFLICT AMONG THE CIRCUIT COURTS OF APPEALS

In *Ringling Brothers-Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Development*, 170 F.3d 449 (4th Cir. 1999), the U.S. Court of Appeals for the Fourth Circuit interpreted the phrase "causes dilution" in Section 43(c) of the Lanham Act to require proof of actual harm in order to be entitled to relief. While conceding that such a standard "does not leap fully and immediately from the statutory text," the court found support for the "actual harm" standard in the legislative history surrounding passage of the "Federal Trademark Dilution Act." The court emphasized that while state dilution statutes required proof of a "likelihood of dilution," the federal dilution statute does not expressly incorporate this standard. The court acknowledged that proof of actual, consummated injury will be difficult but indicated that means of proof, including proof of actual loss of revenue and consumer surveys, are available. The Fourth Circuit's actual harm standard was later adopted by the Fifth Circuit in *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658, 670 (5th Cir. 2000). The Fifth Circuit refused to depart from what it believed to be the plain meaning of the statute.

Other courts of appeals, however, have adopted a "likelihood of dilution" standard for relief under the federal dilution statute. In *I.P. Lund Trading ApS, Inc. v. Kohler Co.*, 163 F.3d 27, 49 (1st Cir. 1998), the U.S.Court of Appeals for the First Circuit found that proof of actual harm was not necessary because "demand for one product is almost always lessened when a competing product achieves a measurable degree of success."

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In *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208 (2d Cir. 1999), the U.S. Court of Appeals for the Second Circuit expressly rejected the Fourth Circuit's actual harm test, concluding that it "depends on excessive literalism to defeat the intent of the statute." It reasoned:

"If the famous senior mark were being exploited with continually growing success, the senior user might never be able to show diminished revenues, no matter how obvious it was that the junior use diluted the distinctiveness of the senior. Even if diminished revenue could be shown, it would be extraordinarily speculative and difficult to prove that the loss was due to the dilution of the mark. And as to consumer surveys, they are expensive, time-consuming and not immune to manipulation."

The Seventh Circuit, in *Eli Lily & Co. v. Natural Answers Inc.*, 233 F.3d 456 (7th Cir. 2000), also rejected the actual harm test. According to the Seventh Circuit, the Fourth Circuit's interpretation of the statute holds the owners of famous marks to an "impossible" level of proof. "It is hard to believe that Congress would create a right of action but at the same time render proof of the plaintiff's case all but impossible."

Finally, the U.S. Court of Appeals for the Sixth Circuit, in *V Secret Catalogue Inc. v. Moseley*, 259 F.3d 464 (6th Cir. 2001), (Petition for cert. filed January 2, 2002) concluded that the "the *Nabisco* test both tracks the language of the statute and follows more closely Congress' intent in adopting the FTDA."

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PROPOSED LEGISLATION

The draft bill of February 7, 2002, which you have circulated, Mr. Chairman, would amend Section 43(c) of the Lanham Act to make it clear that "likely to cause" dilution is the standard for the award of relief under the federal dilution statute. Corresponding changes would be made elsewhere in the statute. As a technical matter, we note that this draft bill would amend section 2(f) of the Lanham Act. This reference should rather be to amending the last two sentences of section 2 of the Lanham Act (see SEC. 2(a), Public Law No. 106-43).

The AIPLA believes that the likelihood of dilution test is appropriate because it most closely comports with the goals of the Federal Trademark Dilution Act and is consistent with the Act's legislative history. The relevant legislative history indicates that a requirement of proof of likelihood of dilution advances the fundamental purpose of the federal dilution statute in protecting famous marks. As the Report of the Committee on the Judiciary notes, dilution is "an injury that differs materially from that arising out of the orthodox confusion. Even in the absence of confusion, the potency of a mark may be debilitated by another's use. This is the essence of dilution. Confusion leads to immediate injury, while dilution is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark." H.R. Rep. No 104-374 (1995), reprinted in 1996 U.S.C.C.A.N. 1029, 1032.

As noted by the Sixth Circuit in the *Moseley* case, this passage is important in two respects. First it evinces an intent to provide a broad remedy for the lesser trademark violation of dilution and recognizes that the essence of the dilution claim

is a property right in the "potency" of a mark. Second, the passage's latter half – "confusion leads to immediate injury, while dilution is an infection, *which if allowed to spread*, will inevitably destroy the advertising value of the mark" — evinces an intent to allow a remedy *before* dilution has actually caused economic harm to the senior mark.

We submit, Mr. Chairman, that Congress, in enacting the federal dilution statute, did not intend to alter the "likelihood of dilution" standard of proof required to establish relief, as set forth in the state statutes.

Under the actual dilution standard of the Fourth and Fifth Circuits, a famous mark owner must wait until *after* harm is incurred before seeking judicial remedy. This requirement of actual harm unduly prejudices the mark owner. Once a famous mark has actually been diluted, the harm is irreparable; the "whittling away" of the mark's distinctiveness has taken place and cannot be restored. Moreover, as the Seventh Circuit observed in the *Eli Lilly* case, if an actual dilution standard were to be followed, by the time the senior mark holder would be permitted to file suit, junior mark holders might have the defense that the senior mark had lost its distinctiveness due to the numerous other marks that have copied it. Moreover, an actual harm standard would also prejudice junior users to the extent they would be unable to seek declaratory relief prior to investing in new products and services. To quote the *Eli Lilly* court, "Congress could not have intended these unjust and inefficient results."

Additionally, the burden of proving actual harm is unreasonable. Suggestions that actual harm may be shown

through consumer surveys, or through loss of profits have been sharply criticized as untenable and impossible to prove. The Fourth Circuit itself admitted that consumer surveys are unwieldy at best. With respect to lost profits, if the famous senior mark were being exploited with continually growing success, the senior user might never be able to show diminished revenues, no matter how obvious it was that the junior use diluted the distinctiveness of the senior.

Congress further evidenced its intention that the "likelihood of dilution" standard be the basis for relief when it amended the Lanham Act to add dilution as a ground for refusing and canceling registrations. It correctly noted that "Resolution of the dilution issue before the Board, as opposed to Federal District Court, would result in more timely, economical, and expeditious decisions. Resolving the issue at the Board would provide certainty to competing trademark interests, before the applicant has invested significant resources in its proposed mark, and before dilution-type damage has been suffered in the marketplace by the owner of the famous mark." (Report No. 106-250) Since applications subject to this remedy include those filed on the basis of intent-to-use, i.e., before an applicant has even begun using the challenged mark (see *The Toro Company v. Torohead*, 61 USPQ2d 1164 (TTAB 2001), the standard in such cases could not possibly be actual dilution. Clearly Congress could not intend that the owners of famous marks suffer actual dilution of their marks before bringing an action to enjoin the use of offending marks when the same owners could have prevented the registration of such offending marks before they are even used.

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We, again, commend you, Mr. Chairman, for your continuing leadership in striving to improve our intellectual property system. The AIPLA looks forward to working with you, the other Members of the Subcommittee, and your able staff to support you in any way we can.

Appendix A

Oversight Hearing on the Federal Trademark Dilution Act:

The Importance of the Polo Family of Brands to the Polo Ralph Lauren Corporation

Sherry L. Jetter, Esq.
Vice President of Intellectual Property
Polo Ralph Lauren Corporation

U.S. House of Representatives
Subcommittee on Courts, the Internet and Intellectual Property

February 14, 2002

Introduction

Good morning, Mr. Chairman.

My name is Sherry Jetter, and I am the Vice President responsible for intellectual property matters for the Polo Ralph Lauren Corporation ("Polo Ralph Lauren").

We appreciate the opportunity to appear before the House Subcommittee on Courts, the Internet, and Intellectual Property to discuss the critical importance of the "Polo" family of trademarks and brands which have come to define Polo Ralph Lauren over a period of nearly 35 years.

I also want to take this opportunity to express our company's strong support for legislation establishing that likelihood of

dilution and not actual dilution is the proper standard for finding dilution under the Federal Trademark Dilution Act of 1995 ("FTDA").[1]

I want you to know that we at Polo Ralph Lauren like to think of our company as a uniquely American enterprise. Our approach to fashion as lifestyle is American in origin and style. As you may be aware, Polo Ralph Lauren has been inspired by the significance and beauty of our American flag and has interpreted and used it in many of its designs. Indeed, we have built a stylistic association with the flag and the American values the flag represents. This is underscored by Polo Ralph Lauren's recent contribution of over $14 million to the Star-Spangled Banner Preservation Project. That project supports the preservation of the tattered flag that flew over Fort McHenry in 1814 and provided the inspiration for Francis Scott Key as he wrote what has become our national anthem.

Polo Ralph Lauren is proud of its association with American values and believes that no value is more fundamentally American than the simple concept of property. For Polo Ralph Lauren and many other American companies, the most valuable piece of property that they own is their good name, or as we say in our industry, their brand.

I am here today to explain to you how essential the protection of the Polo family of brands and trademarks is to my company.

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1. Pub. L. No. 104-98.

History and Value of the Polo Family of Brands

For nearly 35 years, Polo Ralph Lauren's reputation and distinctive image have been developed across an expanding number of products, brands and international markets. We are a leader in the design, marketing and distribution of premium lifestyle products. Our brands, which include "Polo," "Polo by Ralph Lauren," "Ralph Lauren," "Polo Sport," "Polo Jeans Co." and others constitute one of the world's most widely recognized families of consumer names. We believe that, under the direction of Ralph Lauren – our founder, Chairman and Chief Executive Officer, and an internationally renowned designer – Polo Ralph Lauren has greatly influenced the manner in which people dress and reflects an American perspective and lifestyle.

Today the Polo name is associated with apparel of nearly every kind, accessories, fragrance products and home furnishings.

Polo Ralph Lauren is a large company today. Our products are sold throughout the United States and the world. In fiscal year 2001, Polo Ralph Lauren had net sales of almost $4 billion dollars worldwide – every dollar of which is based upon a customer purchasing a product that bears at least one of the Polo family trademarks.

The vision, tenacity and hard work of Mr. Lauren and others at Polo Ralph Lauren have created a widely recognized and valuable property in the Polo family of brands and trademarks. Polo Ralph Lauren's commitment to maintain, preserve, and enhance its brands, is evidenced by the company's annual expenditure of millions of dollars advertising those brands. And, each year, we go to enormous lengths to enforce our trademark rights and protect our good name.

In fiscal year 2001 alone, the company spent in excess of $88 million dollars on advertising.

The Polo brands and family of trademarks are the company's most valuable assets. Not surprisingly, because of our success, Polo Ralph Lauren's products have been the subject of counterfeiting and infringement. We have established a global and in depth enforcement program that includes the use of outside investigators, local law enforcement, federal enforcement agencies like United States Customs Service and the FBI and an in-house department dedicated to monitoring a network of sources and contacts that inform us of potentially harmful uses of the Polo name. When necessary, Polo Ralph Lauren engages in litigation to protect the Polo brands. The importance of our trademarks is further demonstrated by the fact that we have joined together with other fashion trademark holders in joint civil and criminal actions to protect our trademarks.

In light of the company's wide success, the Polo brands are surely famous in any sense that word can be used – including the legal definition of the word "famous" as found in our trademark laws. Numerous courts have held that Polo Ralph Lauren owns "famous" marks for the purpose of the dilution statute.[2] In fact, in litigation involving Polo trademarks, even our adversaries have conceded the fame of the Polo name and Polo trademarks.

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2. *See, e.g., Polo Ralph Lauren L.P. v. Schuman*, No. Civ.A. H97-1855 1988 WL 110059, at *2 (S.D. Tex. Feb. 9, 1998).

Importance of the Dilution Act and Examples of Dilution of the Polo Family of Brands

Because of the fame of our family of trademarks and brands, Polo Ralph Lauren was extremely grateful for the passage of the FTDA. It is a valuable and much-needed law for the protection of our intellectual property.

Unfortunately, Polo Ralph Lauren has been an all-too-frequent target of those who attempt to benefit from our good name, diluting our famous brands in the process. In 1998, at Polo Ralph Lauren's request, a federal court in Houston, Texas enjoined the use of our name and mark on a business called "The Polo Club." The court referred to The Polo Club as "an adult entertainment business." In fact, it was what is commonly known as a house of ill-repute. Polo Ralph Lauren sought and was granted this relief under the FTDA prior to the establishment in the Fifth Circuit of the actual dilution standard. Others have diluted the Polo brands by putting them on massage parlors, limousine services and cleaners.

Polo Ralph Lauren is extremely grateful for the protection afforded by the FTDA. Unfortunately, the protection afforded by the FTDA has not always been sufficient. In 1997, a company bought a specialty publication dedicated to the equestrian sport of polo, including its trademark, and converted it into a glossy fashion and lifestyle magazine titled "Polo". The magazine went from advertising equestrian – related products to putting models and images associated with Polo Ralph Lauren on its cover and in its pages. These changes were made to exploit our famous Polo brand and had the effect of diluting its value. Naturally, we sued under the FTDA.

While this dilution of our famous trademark is the precise situation the FTDA was intended to remedy, we were unable to prevail under that statute. The district court specifically found that while we would have prevailed under a likelihood of dilution standard, we failed to satisfy the more stringent actual dilution standard and we were ultimately denied relief under the FTDA. The court, in effect, said that we had to wait until our brand had been irreparably harmed before we could be granted relief. Given this experience it could not be more clear to us that the dilution standard needs to be clarified. Indeed, if the actual dilution standard had been in effect in the house of ill repute case, we might not have prevailed there either.

Support for the Legislation

It is for this reason that I come before you to support an amendment to the Trademark Act of 1946 ("Lanham Act").[3] We must insure that what happened to Polo Ralph Lauren in the cases I have described does not happen to others across the country. The FTDA was designed to protect famous trademarks such as ours. We believe that our name, our property, is vulnerable absent the protection which would result from clearly establishing that the appropriate standard under the FTDA is likelihood of dilution rather than actual dilution.

The Polo name is the root of all of our trademarks and is the heart of our company. We cannot afford to fail to vigilantly protect the Polo brand. This trademark is more important to the success of our company than any distributor, licensee,

3. 15 U.S.C. § 1051, *et seq.*

factory or store. It is without question the single most important piece of *property* owned by Polo Ralph Lauren.

It has been said that there is a magic behind the Polo brand and its family of trademarks and brands. Over the years Mr. Lauren and his team have built this magic from a single men's tie to an array of consumer products defining a distinct lifestyle. When others are afforded an unearned advantage by using the good will we have created in these brands and trademarks, we believe it is theft. And when others are allowed to tarnish our good name and public acceptance that we have cultivated and nurtured, we believe it is vandalism. Protecting our family of brands and trademarks is the highest corporate priority.

This amendment to the FTDA is necessary for the protection of our property and the property of other famous brand owners.

Conclusion

Thank you Mr. Chairman, for the opportunity to explain the importance of the Polo name and its trademarks to Polo Ralph Lauren and our company's view that an amendment to the Lanham Act to clarify that likelihood of dilution is the appropriate standard is critically important to all owners of a famous trademark.

House Rule XI Disclosure

Pursuant to House Rule XI, clause 2(g)(4), the subcommittee is hereby informed that Polo Ralph Lauren has received no federal grant, contract, or subcontract in the current and preceding two fiscal years.

Appendix A

Oversight Hearing on the
Federal Trademark Dilution Act

Ethan Horwitz
Partner
Darby & Darby PC

U.S. House of Representatives
Subcommittee on Courts, the Internet and
Intellectual Property
February14, 2002

Introduction

Good morning, Mr. Chairman. My name is Ethan Horwitz. I am a partner at Darby & Darby PC, a law firm in New York which has specialized in intellectual property for more than 100 years. I am testifying today in my personal capacity, and the views I express are my own.

By way of background, I am the author of the five volume treatise WORLD TRADEMARK LAW AND PRACTICE (Matthew Bender) and co-author of PATENT LITIGATION: PROCEDURE AND TACTICS (Matthew Bender) and the editor of Intellectual Property Counseling and Litigation (Matthew Bender). I am an Adjunct Professor of Advanced Trademark Law at Fordham University School of Law.

A trademark is customarily protected against use of that mark or a similar mark that may cause consumer confusion. The owner of a mark may stop a third party from using a similar mark on similar goods in a way that may cause consumers to believe that the third party's products originate from the

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trademark owner or are sponsored or approved by the trademark owner. For example, MCDONALD'S was able to stop a third party from selling bagels under the mark MCBAGEL'S.[1]

The theory of dilution stems from a recognition that there are some marks that are so famous and distinctive that they deserve special protection. For these famous marks, the traditional protection from confusion is not enough. The classic examples are BUICK, DUPONT and KODAK. When you say the word BUICK, the car automatically comes to mind. Similarly, saying KODAK brings film to mind. Whereas, with an ordinary mark like UNITED or FIRST NATIONAL, there is no specific image that comes to mind. Marks like BUICK and KODAK are so powerful because they are distinctive and famous, and dilution law gives them the added protection they need.

Dilution theory provides that regardless of whether there is confusion or whether the parties' goods are in competition, a distinctive and famous mark can be protected against damage to its distinctive quality — its "selling power" — from third party use of the mark on unrelated goods.[2] This damage, called "blurring," has been described as third party uses that "blur the distinctiveness of the mark or tarnish or disparage it, even in the absence of a likelihood of confusion."[3]

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1. *McDonald's Corp. v. McBagel's, Inc.*, 649 F. Supp. 1269 (S.D.N.Y. 1986).

2. *Mead Data Central, Inc. v. Toyota Motor Sales, U.S.A., Inc.*, 875 F.2d 1026 (2d Cir. 1989).

3. H.R. Rep. No. 104-374, 104th Congress (1995), at 2.

For example, if a clothing manufacturer were to start selling KODAK ties, it is likely that a court would conclude that the average consumer would not be confused into believing that the KODAK film company was the maker of the ties or even licensed or approved the ties. That is, the court likely would conclude there is no infringement. Yet, this unauthorized use still harms the KODAK mark. This use begins to chip away at the unique image of KODAK, namely the ability of the KODAK mark to summon up a specific image of a film company.

This damage has been described as the "gradual diminution or whittling away of the value of the famous mark by blurring uses by others."[4] Obviously, one small use of KODAK on ties is going to have little effect by itself. Yet, if this use cannot be stopped and other third party uses of KODAK on soft drinks, KODAK on perfume, KODAK on pens and KODAK on clocks cannot be stopped, then the distinctiveness of KODAK will be damaged. Soon, KODAK will no longer signify or call to mind the film company.

The Federal Trademark Dilution Act ("FTDA")[5] must protect against this gradual whittling away and give KODAK the ability to stop this first use of KODAK on ties. That is why we are here today.

The FTDA provides:

> The owner of a famous mark shall be entitled, subject to the principles of equity and upon such

4. 3 J. Thomas McCarthy, McCarthy On Trademarks And Unfair Competition § 24:94, at 24-161 (1999).

5. Pub. L. No. 104-98, 109 Stat. 505 (1995).

> terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark, and to obtain such other relief as provided in this subsection.[6]

The FTDA has been interpreted in two ways by the courts. One way, exemplified by the Second Circuit's decision in *Nabisco*[7], holds that the proper interpretation of the FTDA is that use of a mark can be enjoined if it is *likely* to dilute the famous mark. In contrast, the Fourth Circuit in *Ringling Bros.*,[8] held that the FTDA requires proof of actual dilution before an injunction can issue.

The difference between these two interpretations is very important. Going back to the KODAK ties example, we can see how this is the first step on the slippery slope to the loss of the distinctiveness of the KODAK mark. The question raised is, how does Kodak show that this one use on ties has actually caused damage?

As a trademark trial lawyer, I can tell you that proving actual damage is extremely difficult. If proof of actual damage is the standard, then in effect, the protections afforded by the

6. 15 U.S.C. § 1125(c)(1).

7. *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208 (2d Cir. 1999).

8. *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449 (1999).

FTDA are a nullity. At trial, I can show that through a series of uses on third parties, the KODAK mark will be damaged and I can put marketing experts on the stand to explain how this damage will occur. But to prove that a specific single use has actually already caused actual damage is impossible except in rare cases.

I urge you to pass this legislation so that the FTDA has the effect Congress intended when it was enacted in 1995 and that famous marks, which are one of the pillars of the American economy are protected.

Protection of Famous and Distinctive Trademarks

Modern trademark law as originally codified by the Lanham Act of 1946,[9] recognizes a cause of action for trademark infringement where the owner of a trademark may bar another from using the same or similar mark in a manner that creates a likelihood of consumer confusion as to the source or origin of goods or services.[10] Trademark infringement on unfair competition is defined as:

> (1) Any person who shall, without the consent of the registrant -
>
> A. use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services

9. 15 U.S.C. § 1051, et seq. (1946).

10. 15 U.S.C.§ 1125(a).

> on or in connection with which such use is likely to cause confusion or to cause mistake, or to deceive; or
>
> B. reproduce, counterfeit, copy, or colorable imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising, of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive;
>
> shall be liable in a civil action by the registrant for the remedies herein after provided. . . .[11]

Traditional trademark law has always distinguished between marks which lack distinctiveness and those which are inherently distinctive, by according protection to those marks which by their nature are inherently distinctive.[12] In *Abercrombie &*

11. 15 U.S.C. § 1114(1).

12. *TCPIP Holding Co., Inc. v. Haar Communications Inc.*, 244 F.3d 88, 93 (2d Cir. 2001) (citing *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9-11 (2d Cir. 1976)). The Lanham Act expanded protection to trademarks which while not inherently distinctive, had acquired secondary meaning through use. See 15 U.S.C.§ 1052(e), (f).

Fitch,[13] Judge Friendly explained this difference with a scale progressing from marks that are least to most distinctive: (1) generic; (2) descriptive; (3) suggestive; and (4) arbitrary or fanciful.[14]

The Federal Trademark Dilution Act

The passage of the FTDA in 1995 was a monumental step towards enhanced protection for famous and distinctive trademarks. Prior to the enactment of the FTDA, owners of famous trademarks had to look to a patchwork of state laws and courts to redress dilution of their marks, resulting in inconsistent decisions. The FTDA was intended to create a uniform anti-dilution law and provide a national remedy:

> Presently, the nature and extent of the remedies against trademark dilution varies from state to state and, therefore, can provide unpredictable and inadequate results for the trademark owner. The federal remedy provided in H.R. 1295 against trademark dilution will bring uniformity and consistency to the protection of famous marks . . . A federal dilution statute is necessary because famous marks ordinarily are used on a nationwide basis and dilution protection is currently only available on a patch-quilt system of protection. . . .[15]

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13. *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4 (2d Cir. 1976).

14. Id. at 9.

15. H.R. Rep. No. 104-374, supra note 3, at 2-3.

Moreover, the legislative history of the 1946 Lanham Act demonstrates that Congress had a dual purpose in enacting it. First, to protect consumers from confusion as to the source and quality of goods. Second, to "protect the owner of a trademark who has spent time, energy, and money in the pursuit of the first purpose [protecting consumers from confusion] from those who would trade upon the mark's goodwill."[16] While protecting consumers from confusion can be easily accomplished through traditional trademark infringement claims, protecting trademark owners is more difficult, especially where the same or similar marks are used on different, non-competing goods. Frequently, confusion is unlikely to result in that situation, leaving the trademark owner with little recourse.[17]

The FTDA was intended to remedy this situation. It specifically permits the owner of a famous trademark to enjoin a junior user "throughout commerce, regardless of the absence of competition or confusion".[18] And, because the protection afforded a mark under the FTDA is much broader than that under a likelihood of confusion standard, the class of marks entitled to protection under the FTDA is limited[19]

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16. Terry Ahearn, Comment: Dilution By Blurring Under The Federal Dilution Trademark Act of 1995: What Is It And How Is It Shown?, 41 Santa Clara L. Rev. 893, 903 (2001).

17. Id. See also TCPIP Holding, 244 F.3d at 94-95.

18. TCPIP Holding, 244 F.3d at 95; 15 U.S.C. § 1127 (dilution may be found "regardless of the presence or absence of . . . (1) competition between the owner of the famous mark and other parties, or (2) likelihood of confusion, mistake or deception").

19. *TCPIP Holding*, 244 F.3d at 95.

to highly distinctive, famous trademarks which the public recognizes as signifying something "unique, singular, or particular."[20]

BUICK, KODAK and DUPONT are marks which the courts and Congress have repeatedly pointed to as examples of such highly distinctive and famous trademarks deserving of protection from dilution.[21] Because no reasonable consumer would believe that BUICK aspirin or BUICK shoes were related to BUICK cars, the traditional likelihood of confusion test for trademark infringement would do little to protect BUICK. Nevertheless, this junior user is trading on the goodwill created by the effort and money spent by Buick over the years. If BUICK aspirin and BUICK shoes are permitted to coexist with BUICK cars, and other unrelated "Buick" products are permitted to come along, the BUICK trademark will slowly but surely lose its cache.[22] These

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20. H.R. Rep. No. 104-374, supra note 3, at 3.

21. H.R. Rep. No. 104-374, supra note 3, at 3 ("Thus, for example, the use of DUPONT shoes, BUICK aspirin, and KODAK pianos would be actionable under this legislation"); TCPIP Holding, 244 F.3d at 96.

22. *Federal Express Corp. v. Federal Espresso, Inc.*, 201 F.3d 168, 175 (2d Cir. 2000) ("Trademark dilution statutes are designed to cover those situations where the public knows that the defendant is not connected to or sponsored by the plaintiff, but the ability of the plaintiff's mark to serve as a unique identifier of the plaintiff's goods or services is weakened because the relevant public now also associates that designation with a new and different source. . . . Thus, where the classic likelihood of confusion test leaves off, the dilution theory begins.") (citations omitted).

unauthorized uses will "reduce the public's perception that the mark signifies something unique, singular, or particular."[23] The FTDA was intended to prevent this.

Inconsistent Judicial Interpretations of the FTDA Has Undermined Its Effectiveness

Since its enactment, the courts have inconsistently interpreted the standard for granting an injunction[24] under the FTDA. The resulting split in the circuits has undermined the purpose of the FTDA. Thus, despite its enactment, there is still no national dilution law; decisions continue to be unpredictable and unreliable. The two leading decisions come out of the Fourth and Second Circuits.

In *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*,[25] Ringling Bros. claimed that its trademark "The Greatest Show On Earth" had been diluted by the State of Utah's commercial use of the slogan "The Greatest Snow on Earth," and sought injunctive relief under the FTDA. At trial, Ringling Bros.' evidence that its mark had become famous before 1962, when Utah began use of its slogan, was essentially undisputed. The District Court found that Ringling Bros. had not proven dilution, and found in favor of Utah. The Fourth Circuit affirmed.[26]

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23. H.R. Rep. No. 104-374, supra note 3, at 3.

24. As discussed below, except in very limited circumstances, the only remedy available to the owner of a famous mark under the FTDA is injunctive relief. 15 U.S.C. § 1125(c)(2).

25. 170 F.3d 449 (4th Cir. 1999).

26. Id. at 451.

Appendix A

On appeal, Ringling Bros. challenged the District Court's interpretation of the definition of "dilution" and the elements of a dilution claim under the FTDA.[27] In affirming, the Fourth Circuit held that dilution under the FTDA consists of "(1) a sufficient similarity of marks to evoke in consumers a mental association of the two that (2) causes (3) *actual harm* to the senior marks' economic value as a product-identifying and advertising agent."[28] It is the Fourth Circuit's requirement that "actual harm" to the senior user's mark be shown which has caused the greatest debate and disagreement among the courts that have addressed this issue.[29]

The Fourth Circuit based its interpretation on its reading of the legislative history, state anti-dilution statutes and the evolution of state and federal trademark law. In particular, the Court relied on the fact that many state anti-dilution statutes used a "likelihood of dilution" standard while the FTDA uses the language "causes dilution."[30] The Court conceded that its interpretation of the FTDA was "stringent."[31]

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27. Id. at 453.

28. Id.

29. *See, e.g., V Secret Catalogue, Inc. v. Moseley*, 259 F.3d 464 (6th Cir. 2001); *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456 (7th Cir. 2000); *Times Mirror Magazines, Inc. v. Las Vegas Sports News, L.L.C.*, 212 F.3d 157, 179 (3d Cir. 2000).

30. *Ringling Bros.*, 170 F.3d at 458; see also *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658, 670 (5th Cir. 2000).

31. *Ringling Bros.*, 170 F.3d at 458.

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In *Nabisco, Inc. v. PF Brands, Inc.*,[32] the Second Circuit had the opportunity to consider the issues raised in *Ringling Bros.* Nabisco brought a declaratory judgment for non-infringement against Pepperidge Farm, the producer of the famous Goldfish snack crackers. Pepperidge Farm moved for a preliminary injunction on the ground that Nabisco's planned introduction of a goldfish shaped snack cracker would dilute the distinctive quality of Pepperidge Farm's Goldfish cracker in violation of the FTDA and New York's anti-dilution statute. The District Court granted Pepperidge Farm's motion and ordered Nabisco to recall its product. On appeal, the Second Circuit affirmed.[33]

Relying on *Ringling Bros.*, Nabisco argued that in order to prevail, Pepperidge Farm had to show actual harm, consisting of an actual reduction in the selling power of its Goldfish mark.[34] The Second Circuit rejected Nabisco's argument and disagreed with the Fourth Circuit's interpretation of the FTDA.[35]

While recognizing that the language of the FTDA might support the *Ringling* Court's requirement of "actual consummated" dilution because the statute uses the language "causes dilution" rather than "likelihood of dilution," the Second Circuit nonetheless viewed that reading as "excessive literalism to defeat the intent of the statute."[36] The Court went

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32. 191 F.3d 208 (2d Cir. 1999). I represented PF Brands and Pepperidge Farm, Inc. at trial and on appeal.

33. Id. at 212.

34. Id. at 214. Nabisco raised other issues on appeal which are not germane to the bill under consideration.

35. Id. at 223.

36. Id. at 224.

on the explain the illogical result of the Fourth Circuit's interpretation of the FTDA:

> To read the statute as suggested by the *Ringling* opinion would subject the senior user to uncompensable injury. The statute could not be invoked until injury had occurred. And, because the statute provides only for an injunction and no damages (absent willfulness), . . . such injury would never be compensated. The *Ringling* reading is also disastrously disadvantageous for the junior user. In many instances the junior user would wish to know whether it will be permitted to use a newly contemplated mark before the mark is launched rather than after. . . If the statue is interpreted to mean that no adjudication can be made until the junior mark had been launched and has caused actual dilution, businesses in Nabisco's position will be unable to seek declaratory relief before going to market. They will be obligated to spend the huge sums involved in a product launch without the ability to seek prior judicial assurance that their mark will not be enjoined.[37]

While most courts that have addressed this issue since Nabisco have followed the Second Circuit,[38] this split goes to the heart matter.[39]

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37. Id.

38. See supra note 29.

39. One could argue that *Ringling Bros.* reached the right conclusion for the wrong reason, or bad facts make bad law. Ringling

(Cont'd)

The Second Circuit recognized that requiring a showing of actual harm made little sense in the context of a dilution claim because actual harm is so difficult to prove:

> If the famous senior mark were being exploited with continually growing success, the senior user might never be able to show diminished revenues, no matter how obvious it was that the junior use diluted the distinctiveness of the senior. Even if diminished revenue could be shown, it would be extraordinarily speculative and difficult to prove that the loss was due to dilution of the mark.[40]

Surveys, which the *Ringling* Court had speculated could be used to prove actual dilution,[41] are expensive, time consuming and can be easily manipulated[42] and, therefore, do not readily satisfy the evidentiary black hole created by *Ringling Bros.* Similarly,

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Bros. and Utah had been using their respective slogans for nearly 40 years. While the FTDA standard should be a likelihood of dilution, the Court could have easily found that having co-existed for so long without any evidence of dilution was sufficient evidence that there was no likelihood of dilution. This would be similar to traditional trademark infringement cases where the parties co-exist for decades without any evidence of actual confusion, resulting in a finding of no likelihood of confusion and, hence, no infringement.

40. Id. at 223-24.

41. *Ringling Bros.*, 170 F.3d at 464-65.

42. *Nabisco*, 191 F.3d at 224; see also *Eli Lilly*, 233 F.3d at 468 ("[W]e doubt that dilution of the distinctiveness of a mark is something that can be measured on an empirical basis by even the most carefully crafted survey.").

due to the nature of dilution itself, one has to wonder whether it is ever possible to show actual harm from a single use. That first use may get the ball rolling, but it is the combination of multiple third party uses over time that gradually "whittle away" the distinctiveness of a famous mark.[43]

The FTDA Should Be Amended To Reflect Likelihood of Dilution As The Proper Standard

The purpose of the FTDA will continue to be undermined so long as the courts continue to interpret its language in an inconsistent manner. This is particularly true for those courts that follow *Ringling Bros.* because the requirement that "actual consummated" harm be shown by the owner of a famous mark will have the effect of nullifying the FTDA. Not only is this requirement illogical from the standpoint of dilution theory in general, but it is equally illogical given that the only real remedy available under the FTDA is injunctive relief.[44]

Commentators, the courts and the legislative history of the FTDA have uniformly recognized that the harmed caused by dilution is a slow, creeping harm which occurs over time and is difficult to measure:

> Dilution is an injury that differs materially from that arising out of the orthodox confusion. Even in the absence of confusion, the potency of a mark may be debilitated by another's use. This is the

43. Frank I. Schechter, The Rational Basis of Trademark Protection, 40 Harv. L. Rev. 813, 825 (1927).

44. 15 U.S.C. §§ 1125(c)(2).

> essence of dilution. Confusion leads to immediate injury, while dilution is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark.[45]

Relying on this passage from the legislative history, the Sixth Circuit followed *Nabisco* because this language "evinces an intent to allow a remedy before dilution has actually caused economic harm to the senior mark. In such a case, proving actual harm would be extremely difficult, as no such harm would have taken place when the remedy became available . . . requiring proof of actual economic harm will make bringing a successful claim under the FTDA unreasonably difficult. With such a broad remedy [injunctive relief] considered in the Act's legislative history, we find it highly unlikely that Congress would have intended to create such a statute but then make its proof effectively unavailable."[46]

By its very nature, injunctive relief has value only if it is granted *prior* to harm actually occurring. In this instance, dilution is no different from traditional trademark infringement, patent or copyright infringement or for that matter, any other tort where injunctive relief is an available remedy.[47]

45. H.R. Rep. No. 104-347, supra note 3, at 3 (quoting *Mortellito v. Nina of California, Inc.*, 335 F. Supp. 1288, 1296 (S.D.N.Y. 1972)); see also *V Secret Catalogue*, 259 F.3d at 475.

46. *V Secret Catalogue*, 259 F.3d at 476.

47. See, e.g., *United States v. Oregon State Medical Society*, 343 U.S. 326, 333 (1953) ("The sole function of an action for an injunction is to forestall future violations."); *Roe v. Cheyenne Mountain Conference Resort, Inc.*, 124 F.3d 1221, 1230 (10th Cir. 1997) ("The purpose of an injunction is to prevent future violations . . . . ") (citations omitted);

(Cont'd)

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If a famous mark owner must wait until actual dilution has occurred before being entitled to an injunction, the remedy it ultimately obtains will be an empty one. "Although enjoining junior use of a mark after years of use in the marketplace may take the junior mark out of commerce, an injunction cannot erase the association consumers have made between the junior mark and the senior mark in their minds. This type of damage is not only difficult to compensate, but also causes irreparable harm to the identifying function of a trademark."[48]

Conclusion

In view of these points, I believe that the FTDA should be amended to clarify Congress' original intent that the proper standard is a likelihood of dilution.

Thank you for this opportunity to share my views on this important issue of trademark law.

DISCLOSURE OF FEDERAL GRANT

There is no money I have received as part of a federal grant or subgrant thereof or contract or subcontract thereof which is relevant to my testimony, during this year or the two preceeding fiscal years. I do not represent anyone at my testimony.

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Caplan v. Fellheimer Eichen Braverman & Kaskey, 68 F.3d 828, 839 (3d Cir. 1995) (purpose of a preliminary injunction is to "protect the moving party from irreparable injury until the court can render a meaningful decision on the merits"); 13 JAMES WM. MOORE, MOORE'S FEDERAL PRACTICE § 65.02[2], at 65-13 (3d ed. 1997) ("[T]he purpose of injunctive relief is to prevent future harm.").

48. Jennifer Mae Slonaker, Comment: Conflicting Interpretations of the Federal Trademark Dilution Act Create Inadequate Famous Mark Protection, 26 Dayton L. Rev. 121, 144 (2000).

APPENDIX B — DRAFT OF TRADEMARK DILUTION ACT OF 2002

_____
(Original Signature of Member)

107TH CONGRESS
1ST SESSION

H.R. _____

IN THE HOUSE OF REPRESENTATIVES

Mr. introduced the following bill; which was referred to the Committee on

A BILL

To amend the Trademark Act of 1946 to clarify the standard for proving dilution of a mark.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Trademark Dilution Act of 2002".

SEC. 2. STANDARD FOR PROVING DILUTION OF A MARK.

The Act entitled "An Act to provide for the registration and protection of trademarks used in commerce, to carry out the provisions of certain international conventions, and for

other purposes", approved July 5, 1946 (commonly referred to as the "Trademark Act of 1946"), is amended as follows:

(1) Section 2(f) (15 U.S.C. 1052(f)) is amended by striking "would cause dilution" each place it appears and inserting "would be likely to cause dilution".

(2) Section 43(c)(1) (15 U.S.C. 1125(c)(1)) is amended in the matter preceding subparagraph (A), by striking "and causes" and inserting "and such use is likely to cause".

APPENDIX C — ANALYSIS OF CIRCUIT AND DISTRICT COURTS' APPLICATION OF RINGLING BROS. AND NABISCO TO DILUTION CASES UNDER THE FTDA

Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.
Actual lessening of selling power

Circuit	Cited	Followed	
		Ct. of Appeals	District Ct.
1st Cir.	1	0[1]	0
2nd Cir.	2	0[2]	0
3rd Cir.	4	0	1[3]
4th Cir.	7	0	6[4]
5th Cir.	1	1[5]	0
6th Cir.	3	0	1[6]
7th Cir.	7	0	2[7]
8th Cir.	0	0	0
9th Cir.	1	0	1
10th Cir.	1	0	1
11th Cir.	2	0	0
	Total Citations	**Total Followed**	
	29	1 (13)	12

---

[1] *I.P. Lund Trading ApS* v. *Kohler Co.*, 163 F.3d 27, 49 (1st Cir. 1998) (explicitly rejected *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 955 F. Supp. 605, 616 (E.D. Va. 1997).
[2] *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 223 (2d Cir. 1999) (explicitly rejected *Ringling*).
[3] *Times Mirror Magazines, Inc. v. Las Vegas Sports News, L.L.C.*, 212 F.3d 157, 168-69, 179 n.11 (3d Cir. 2000) (applied *Nabisco* analysis; dissent agreed with majority's implicit rejection of *Ringling*).
[4] *Ringling Bros.-Barnum Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449 (4th Cir. 1999).
[5] *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658, 671 (5th Cir. 2000) (endorsed *Ringling*).
[6] *V Secret Catalogue, Inc. v. Moseley*, 259 F.3d 464, 475 (6th Cir. 2001) (followed *Nabisco* explicitly rejected *Ringling*).
[7] *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 468 (7th Cir. 2000) (followed *Nabisco* explicitly rejected *Ringling*).

Appendix C

Nabisco, Inc. v. PF Brands, Inc.
Likelihood of dilution

Circuit	Cited	Followed	
		Ct. of Appeals	District Ct.
1st Cir.	0	0	0
2nd Cir.	26	1[8]	7
3rd Cir.	3	1[3]	2
4th Cir.	1	0	0
5th Cir.	1	0	0
6th Cir.	4	1[6]	1
7th Cir.	8	1[7]	1
8th Cir.	0	0	0
9th Cir.	1	0	0
10th Cir.	0	0	0
11th Cir.	3	0	0
	Total Citations	**Total Followed**	
	47	4 (15)	11

[8] *Federal Express Corp. v. Federal Espresso, Inc.*, 201 F.3d 168, 176-77 (2d Cir. 2000) (applied *Nabisco* factors).

Supreme Court, U.S.
FILED
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(3)

No. 01-1015

In The

Supreme Court of the United States

VICTOR MOSELEY and CATHY MOSELEY,
d/b/a VICTOR'S LITTLE SECRET,

Petitioners,

v.

V SECRET CATALOGUE, INC.,
VICTORIA'S SECRET STORES, INC., and
VICTORIA'S SECRET DIRECT, LLC,

Respondents.

**On Petition For Writ Of Certiorari
To The United States Court Of Appeals
For The Sixth Circuit**

REPLY BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

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STATUTES:

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LEGISLATIVE HISTORY:

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ARGUMENT

I. RESPONDENTS' BRIEF IN OPPOSITION CONFIRMS AND AMPLIFIES THE CONFLICT AMONG THE COURTS OF APPEALS, AS DOES NEW AUTHORITY.

Respondents admit there is a "divergence of statutory interpretation" between the Fourth (*Ringling Bros.*) and Second (*Nabisco*) Circuit decisions over interpretation of the statutory requirement "causes dilution" of the FTDA as embodied in Section 43(c) of the Lanham Act (Brief In Opp. at 5). Respondents also admit that Congress likewise acknowledges the conflict (Statements made in House Subcommittee February 12, 2002 oversight hearing, *see* Brief In Opp., App. A).

Further, new authority, *The Toro Company v. ToroHead, Inc.*, 61 U.S.P.Q.2d 1164, 1174 n.7 (T.T.A.B. 2001), also notes the split among the Circuits "on the issue of whether actual dilution must be shown by the plaintiff to prevail in a district court case involving a dilution claim."[1]

In *Toro*, the Trademark Trial and Appeal Board ("Board") of the U.S. Patent & Trademark Office ("PTO"), the agency charged by Congress to administer the Lanham Act of which the FTDA is a component, stated that the split was "irrelevant to our determination here." *Id.* Despite this statement, Petitioners submit that the result reached in *Toro* provides a further reason why the Petition should be granted. The Board in *Toro* held that only *actual*

---

[1] The *Toro* decision was published too late to be analyzed and included in the Petition for Certiorari. *Toro* was *not* too late to be discussed in Respondents' Brief in Opposition, but Respondents ignored the aspects of *Toro* most applicable to this case. *See infra* pp. 3-6.

evidence of dilution presented in a proceeding under 15 U.S.C. § 1063, will support an opposition where the damage alleged to preclude registration is based on dilution. *Id.* at 1184. As analyzed further, *infra* pp. 5-6, this means that a mark could survive a dilution challenge in an opposition and become registered. Yet, that registered mark could be enjoined in some (*e.g.*, the Second, Sixth and Seventh) but not in other (*e.g.*, the Fourth and Fifth) Circuits.

Thus, this case presents a conflict not only among the Circuits, but also with the trademark registration/opposition procedures of the PTO.

In addressing the admitted conflict, Respondents' Brief in large measure merely argues why Respondents are right and Petitioners are wrong. This of course argues the merits of Respondents' cause, and does precious little to address the real problem at hand – different parts of the federal judicial and administrative systems treat the same legal issue differently, and that creates a quandary for businesses seeking to adopt trademarks which can both avoid legal sanction and be consistently protected. Thus, there is no question whether this case presents an issue on which the various Courts of Appeals, and the federal agency supervising trademark registration (the PTO) are in conflict.

II. This Case Presents An Important Issue Involving Newly Created Statutory Property Rights On Which The Various Circuits Are In Conflict, Which Is Ripe For Resolution *Now*.

A. The FTDA, As Incorrectly Construed By Some Courts Of Appeals (Including the Courts Below), Can Lead To "Property Rights In Gross" For Famous Trademarks.

It is axiomatic that courts consider dilution "an extraordinary remedy." *Toro*, 61 U.S.P.Q.2d at 1173 (internal quotation omitted). Under the interpretation of "causes dilution" in some Circuits, however, that extraordinary remedy is in danger of becoming commonplace.

In discussing the "extraordinary" nature of the dilution remedy, the Board in *Toro* noted the following passage in *Ringling Bros.*:

> We simply cannot believe that, as a general proposition, Congress could have intended, without making its intention to do so perfectly clear, to create property rights in gross, unlimited in time (via injunction), even in "famous" trademarks.

Id. at 1173 (*quoting Ringling Bros.*, 170 F.3d at 459). The Board also noted that even the Second Circuit in *Nabisco* agreed with this premise. *Id.* at 1173-74 (*quoting Nabisco*, 191 F.3d at 224 n.6).

Petitioners submit that the Second Circuit's amorphous and inherently subjective "likelihood of dilution" standard does in practical effect lead to the creation of property rights in gross for famous trademarks. Those courts which have followed the Second Circuit have compounded the problem. For example, the courts below in the present case reduced the dilution standard under Section 43(c) to a sort of "think and link" test: if a consumer encounters a mark, "thinks" of another, famous

mark and "links" the encountered mark to the famous mark, actionable dilution follows.

A standard more readily enunciating and embracing the practical equivalent of a property right in gross would be difficult to imagine. The fear is that under the "likelihood of dilution" standard, dilution will no longer be an "extraordinary remedy." Many if not most dilution cases result when a famous mark owner objects to the accused party's attempts at parody or irony. Left unchecked, the "likelihood of dilution" standard could authorize courts to issue an injunction too readily, thereby blocking usage which creates no actual harm to the famous mark. *See* "Cathy," Cathy Guisewite, March 17, 2002 edition (App. 1a, *infra*).

In contrast, the Fourth and Fifth Circuits construe the "causes dilution" phrase of the FTDA to require proof of actual harm. Like the actual evidence requirement of the Board in *Toro*, the Fourth Circuit standard not only avoids the "property right in gross" problem, it maintains dilution as an extraordinary remedy, and places workable limits on reach of a dilution-based injunction unlimited in duration.

This Court can preclude the possibility of property rights in gross by granting the Petition for Certiorari, and resolving the statutory interpretation conflict regarding the operative phrase "causes dilution."

B. The Present Conflict Adversely Affects Businesses, Both By Imposing A Chilling Effect On The Selection And Use Of Trademarks That Cause No Demonstrable Harm, And By Affording Inconsistent Protection To Famous Trademarks.

Regardless of the applicability in a given case of the "property rights in gross" issue, the awkward conflict

among the Circuits presents continuing and practical problems, unless this Court resolves the conceded conflict.

There are now two legal standards operating in different parts of the country, and business persons must guess which standard applies to their chosen trademark under the FTDA. In the Fourth and Fifth Circuits, business owners can measure their conduct by an objective standard: whether use of their mark will cause actual dilution and demonstrable harm to a famous mark. In the Second, Seventh and Sixth Circuits, conduct which is permitted in the Fourth and Fifth Circuits will be enjoined if a court subjectively determines, as did the District Court and the Sixth Circuit below, without record evidence of any harm, that "a likelihood of dilution" exists. Thus, a business contemplating national use of a mark will be chilled by the more restrictive standard applied in the Second, Sixth and Seventh Circuits.

Likewise, the owner of a famous mark must guess which standard applies when assessing whether or not the mark will be protected against dilution in a given case. Only in the Second, Sixth and Seventh Circuits will the owner of a famous mark have confidence that the famous mark will be afforded such protection.

The registration process is now impressed with similar doubts. Under *Toro*, a proposed mark cannot be successfully challenged in opposition proceedings unless the challenged mark is "identical or very or substantially similar, " *Toro*, 61 U.S.P.Q.2d at 1183 (internal quotations omitted)[2] and there is proof that the mark would cause

---

[2] *Compare with* the standards utilized in the District Court below, Pet. for Cert. at 39a ("sufficiently similar"); and in the Sixth Circuit, Pet. for Cert. at 14a & n.3 ("sufficient similarity . . . [to] conjure an association").

actual dilution, *id.* at 1184. Thus, a business could succeed in having its mark registered, even over a dilution challenge, unless the famous mark owner can muster actual evidence of dilution. However, after registration, that registered mark could be successfully enjoined under the dilution standard in effect in the Second, Sixth and Seventh Circuits on the *same* grounds that were unsuccessful to prevent registration in the Board proceedings. In contrast, if dilution litigation were brought in the Fourth or Fifth Circuits, the registered mark would likely survive challenge.

It does not take a prescient prognosticator to predict that forum shopping will become rampant, as owners of famous marks such as Respondents scurry to the Second, Sixth or Seventh Circuits to file their dilution cases, while owners of challenged marks fashion their defenses so that dilution challenges cannot be brought in, or will be transferred from, those Circuits. Only this Court can forestall these problems, by granting the Petition for Certiorari, and resolving the present conflict among the Circuits.

C. No Bill Encompassing The "Draft Legislation" Asserted By Respondents Has Been Introduced In Congress.

Respondents proffer so-called "draft legislation" (Brief In Opp., App. B at 51a-52a) which they claim would amend the FTDA to adopt a "likely to cause" standard for dilution. However, to state that "Congress . . . is considering" such draft legislation is quite a stretch. Petitioners are unaware of any such Bill actually enrolled in either chamber of Congress, and Respondents cited to none. No formal recognition of the "draft legislation" appears in the Congressional record; the "draft legislation" does not appear on the Thomas website (thomas.loc.gov) with the record of the oversight hearing. It appears that the "draft

legislation" was provided to, then circulated by, the Hon. Howard Coble, Chairman of the Subcommittee on Courts, the Internet, and Intellectual Property. The timing of this mysterious submission is peculiar for its helpful propinquity to the due date of the Respondents' Brief, requested by this Court after Respondents waived the right to file a response.

Further, Respondents' presentation of the oversight hearing materials is unbalanced and incomplete. It is unbalanced because the roster of witnesses for the oversight hearing represented no diversity of viewpoint on the existing Circuit split expressly acknowledged by the members of the Subcommittee. Rather, each witness advocated the *Nabisco* "likelihood of dilution" standard. The Subcommittee did not receive statements from any person or organization advocating the Fourth Circuit's *Ringling Bros.* "actual harm" standard. In addition, at least two witnesses appeared to have a partisan interest in seeking to amend the FTDA's "causes dilution" standard: Sherry L. Jetter, the Vice President of Intellectual Property for Polo Ralph Lauren Corporation, acknowledged that her company lost a case where the court applied the "actual harm" standard (Brief In Opp., App. A at 27a, 31a-32a); and another witness, Ethan Horwitz, is a trademark trial lawyer who represented the prevailing parties in *Nabisco.* The remaining witnesses were representatives of the International Trademark Association ("INTA") and the American Intellectual Property Law Association ("AIPLA").[3]

---

[3] INTA is a trade association of trademark owners, and AIPLA is an association of lawyers who by and large represent trademark owners; both associations have an apparent bias in this matter.

Respondents' presentation was incomplete because, as analyzed more fully below, it omitted acknowledgment by the Ranking Member of the Subcommittee of the "two standards adopted by the conflicting circuits," each of which he considered to have "their pros and cons." *See* Statement of Hon. Howard L. Berman, Brief In Opp., App. A at 5a. Further, Mr. Berman stated that he was "unsure of the appropriate standard." *Id.* More glaringly, Respondents omitted discussion of how the legislative history of the Trademark Amendments Act of 1999, Pub. L. No. 106-43, 113 Stat. 218 (1999) ("TAA") relates to the present case. Petitioners discuss the applicability of the TAA immediately below.

D. The Legislative History Of The Trademark Amendments Act Of 1999 Also Supports Granting The Petition For Certiorari.

Principled analysis of the legislative history of the TAA (brought into this case by Respondents, not Petitioners) reveals additional support for granting the Petition for Certiorari. In 1999, only three years after enacting the FTDA, Congress was aware of the actual harm requirement enunciated by the Fourth Circuit in *Ringling Bros.* for the "causes dilution" standard. Despite this awareness, Congress did not amend Section 43(c) of the Lanham Act. The TAA amended other provisions of the Lanham Act to add dilution as a ground to oppose registration of a mark, or to cancel a registered mark. The legislative history of the TAA states:

> The [FTDA] provides for injunctive relief after the identical or similar mark has been in use and *has caused actual dilution* of a famous mark but provides no means to oppose an application for a mark or to cancel a registered mark that will result in dilution of the holder's famous mark. * * * Section two [of the TAA] is necessary for several reasons. Resolution of the dilution issue before the Board, as opposed to Federal District Court, would result in more timely, economical, and expeditious decisions. Resolving the issue at the Board would provide certainty to competing trademark interests, before the applicant has invested significant resources in its proposed mark, and before *dilution-type damage has been suffered* in the marketplace by the owner of the famous mark.

H.R. Rep. No. 106-250, at 5 (1999) (emphasis added).

The legislative history of the TAA thereby manifests an acquiescence by Congress to this Court's plain meaning rule (*see* Pet. for Cert. at 22-24) which the Fourth Circuit applied in its *Ringling Bros.* opinion. Congress took up the TAA with knowledge of the Fourth Circuit's interpretation of the "causes dilution" statutory language of Section 43(c). In the TAA legislative history quoted above, Congress declared that dilution is actionable in a district court when an accused mark *"has caused actual dilution* of a famous mark," thereby acknowledging the Fourth Circuit's actual harm standard. Historically, Congress has never been shy to take legislative action when it perceives that a court has misapplied its statutory terms. However, in 1999 Congress chose not to amend the operative phrase "causes dilution" in Section 43(c). Neither the Second Circuit in *Nabisco*, nor the other Circuits which have confronted the *Ringling Bros./Nabisco* conflict, have taken the legislative history of the TAA into account.

Viewed in this light, Respondents' argument is an assault on the actual language of the statute. The characterization of so-called "draft legislation" as a means to "clarify Congress' intent" is actually *contrary* to both the plain meaning of the FTDA and Congress' evaluation in 1999 of an important judicial decision (*Ringling Bros.*)

interpreting the FTDA. This Court should grant the Petition for Certiorari to prevent the judicial avoidance of the plain meaning rule of statutory construction, under the guise of "clarifying" the intent of Congress.

CONCLUSION

Petitioners and Respondents agree, as does the Trademark Trial and Appeal Board, that a conflict exists among the Circuits over the meaning and application of the statutory phrase "causes dilution" in Lanham Act Section 43(c). This issue is ripe for this Court to resolve *now*, because the conflict presents and causes, on a daily basis, significant problems for business owners in the adoption and use of their trademarks nationwide, *as well as* for famous mark owners in obtaining dilution-based enforcement of their famous marks.

For the foregoing reasons, and the reasons stated in their Petition, Petitioners urge the Court to grant their Petition for Writ of Certiorari.

Respectfully submitted,

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Cathy
10,000,000,000-FUNCTION HUMAN: NO INTEREST.
10-FUNCTION REMOTE:
AWESOME!
UPGRADED HAIR AND MAKEUP: NO REACTION.
UPGRADED POCKET PC:
IS THAT THE NEW ONE?? LET ME SEE! LET ME SEE!
TEENY LITTLE BLACK DRESS: NO RESPONSE.
TEENY LITTLE CELL PHONE:
CAN I HOLD IT? CAN I TRY IT? ME FIRST!!!!
SLEEK STILETTOS, SLINKY PANTS, SULTRY SWEATER TOPPED BY AN ASTOUNDINGLY BRILLIANT, CREATIVE, INSIGHTFUL, LOVING, EDUCATED BRAIN: ZIP.
SLEEK LAPTOP:
I LOVE IT! I LOVE IT! I LOVE IT!
FORGET "VICTORIA'S SECRET." WOMEN SHOULD SHOP IN "VICTOR'S SECRET."
WHO! IS THAT A USB CABLE PEEKING OUT OF YOUR PURSE?!?!

(4)

Supreme Court U.S.
FILED
JUN 24 2002
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No. 01-1015

In The
Supreme Court of the United States

VICTOR MOSELEY and CATHY MOSELEY,
d/b/a VICTOR'S LITTLE SECRET,

Petitioners,

v.

V SECRET CATALOGUE, INC.,
VICTORIA'S SECRET STORES, INC., and
VICTORIA'S SECRET DIRECT, LLC,

Respondents.

On Writ Of Certiorari
To The United States Court Of Appeals
For The Sixth Circuit

JOINT APPENDIX
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7/17/98	2	MOTION by defendant Victor Moseley, defendant Cathy Moseley to extend time to answer to 8/5/98; order tendered (ak) [Entry date 07/20/98]
8/3/98	3	ORDER by Chief Judge Charles R. Simpson III granting dfts motion to extend time to answer to 8/5/98 [2-1] (cc: all counsel) (mc)
8/4/98	4	ANSWER by defendant to [1-1]; jury demand (tc) [Entry date 08/05/98]
9/22/98	12	NOTICE by plaintiff V Secret Catalogue, plaintiff Victoria Secret Stor, plaintiff Victoria Secret Cata to take deposition of Cathy Moseley on 10/29/98 (ak) [Entry date 09/23/98]
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10/8/98	15	MOTION by plaintiff V Secret Catalogue, plaintiff Victoria Secret Stor, plaintiff Victoria Secret Cata for attorney Frank J. Colucci, Courtney Wilson Monahan, W. Brant Mossop, G. Mathew Lombard to appear pro hac vice; Memorandum in Support; order tendered – FILING FEE PAID,

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10/26/98 17 MEDIATION BRIEF FILED by defendant Victor Moseley, defendant Cathy Moseley (ak)

11/2/98 18 ANSWER TO INTERROGATORIES by defendant Victor Moseley, defendant Cathy Moseley (ak) [Entry date 11/05/98]

11/2/98 19 RESPONSE TO REQUEST by defendant Victor Moseley, defendant Cathy Moseley for production of documents (ak) [Entry date 11/05/98]

11/18/98 20 DEPOSITION of Victor Moseley taken on the following date(s): 10/29/98 (ak)

11/18/98 21 DEPOSITION of Cathy Moseley taken on the following date(s): 10/29/98 (ak)

11/25/98 22 NOTICE by defendant Victor Moseley, defendant Cathy Moseley to take deposition of Timothy Lyons on 12/8/98 (ak) [Entry date 11/30/98]

11/25/98 23 NOTICE by defendant Victor Moseley, defendant Cathy Moseley to take deposition of Jill Beraud on 12/14/98 (ak) [Entry date 11/30/98]

11/25/98 24 NOTICE by defendant Victor Moseley, defendant Cathy Moseley to take deposition of James McGinty on 12/8/98 (ak) [Entry date 11/30/98]

1/20/99 – REMARK: Agreed Protective Order tendered by parties. (ak)

1/22/99 27 AGREED PROTECTIVE ORDER GRANTING CONFIDENTIALITY FOR DOCUMENTS & MATERIALS by Chief Judge Charles R. Simpson III: Parties shall comply as set forth in order. (cc: all counsel) (ak)

4/19/99 28 MOTION by defendant Cathy Moseley, defendant Victor Moseley for summary judgment; Memorandum in Support; order tendered (FILED IN BROWN FOLDER DUE TO ATTACHMENTS) (ak)

4/26/99 29 MOTION by plaintiff Victoria Secret Cata, plaintiff Victoria Secret Stor, plaintiff V Secret Catalogue to extend dispositive motions from 4/21/99 to 5/5/99; order tendered (seal)

4/27/99 30 ORDER by Chief Judge Charles R. Simpson III granting motion to extend dispositive motions from 4/21/99 to 5/5/99 [29-1]; dispositive motion ddl set for 5/5/99 (cc: all counsel) (ak)

5/7/99 31 RESPONSE by plaintiff Victoria Secret Cata, plaintiff Victoria Secret Stor, plaintiff V Secret Catalogue to motion for summary judgment [28-1]; order tendered (FILED IN BROWN FOLDER) (ak)

5/7/99 32 CROSS-MOTION by plaintiff Victoria Secret Cata, plaintiff Victoria Secret Stor,

plaintiff V Secret Catalogue for summary judgment; Memorandum in Support-FILED IN BROWN FOLDER; order tendered. (ak)

5/7/99 33 EXHIBITS to cross-motion for sumjgm. filed by Pla. (FILED IN BROWN FOLDER) (ak)

5/18/99 34 REPLY by defendant Cathy Moseley, defendant Victor Moseley to response to motion for summary judgment [28-1] (ak) [Entry date 05/19/99]

6/16/99 36 RESPONSE/REPLY by defendant Cathy Moseley, defendant Victor Moseley to response to motion to strike Pla. cross-motion for sumjgm. [34-1], motion to strike Pla. resp. to motion for sumjgm. [34-1] (ak) [Entry date 06/17/99]

10/1/99 37 MOTION by defendant to submit on the record; order tendered (mc)

2/9/00 38 MEMORANDUM, OPINION: by Chief Judge Charles R. Simpson III re [34-1], re [34-1], re [32-1], re [28-1], the dft. motion for sumjgm. will be granted be separate order as to Cnts. I, II, IV and denied as to Cnt. III. Pla. motion for sumjgm. on cnt. III of the cmp. will be granted and dft. will be enjoined from the use of the mark "Victor's Little Secret" be separate order. (cc: all counsel) [Entry Date: 2/9/00] (ak)

2/9/00 39 ORDER by Chief Judge Charles R. Simpson III denying motion to strike Pla. cross-motion for sumjgm. [34-1], denying motion to strike Pla. resp. to motion for sumjgm.[34-1], granting motion for summary judgment

[32-1] as to Ct 3 of the cmp., granting in part, denying in part [28-1] motion for summary judgment granted as to cts. I, II & IV are dism. w/prej. The dfts. are hereby enjoined from using the designation of "Victor's Secret" or "Victor Little Secret" or any mark similar thereto, or any reproduction, counterfeit, copy or colorable imitation of Pla. trademark. terminating case (cc: all counsel) [Entry Date: 2/9/00] (ak)

3/10/00 40 NOTICE OF APPEAL by defendants Cathy Moseley and Victor Moseley to USCA, decision [39-2], [38-1] (cc: all counsel) receipt # 317368 (mc)

3/20/00 41 DESIGNATION of Record on Appeal re [40-1] (ak)

10/16/01 42 MANDATE from USCA affirming the decision of the District Court [40-1] (mc) [Entry date 10/17/01]

1/25/02 43 NOTICE petition for writ of certiorari filed 1/2/02 (tbur)

4/23/02 – REMARK ltr advising petition for writ of certiorari granted (tbur) [Entry date 04/24/02]

In the United States Court of Appeals for the Sixth Circuit

3/16/00 Civil Case Docketed. Notice filed by Appellant Victor Moseley, Appellant Cathy Moseley. Transcript needed: n (cb)

3/16/00	BRIEFING LETTER SENT setting briefing schedule: appellant brief due 4/25/00; appellee brief due 5/25/00; reply brief due 6/8/00; appendix due 6/15/00; final appellant brief due 7/6/00; final appellee brief due 7/6/00; . (cb)
3/17/00	TRANSCRIPT ORDER FORM filed by Don A. Pisacano for Appellant Cathy Moseley, Appellant Victor Moseley: No hearings held in District Court. [00-5320] [2118816-1] (blh)
3/17/00	Briefing Letter Sent by CONFERENCE ATTORNEY'S OFFICE resetting briefing schedule: appellant brief now due 5/5/00; appellee brief now due 6/5/00; reply due 6/19/00; appendix now due 6/26/00 appellant final brief now due 7/17/00; appellee final brief now due 7/17/00 [00-5320] final reply brief now due 7/17/00; . (trm)
3/27/00	APPEARANCE filed by Attorney John E. Spainhour for Appellant Cathy Moseley, Appellant Victor Moseley [00-5320] (jmb)
3/29/00	APPEARANCE filed by Attorney Don A. Pisacano for Appellant Cathy Moseley, Appellant Victor Moseley [00-5320] (cb)
3/30/00	APPEARANCE filed by Attorney Frank J. Colucci for Appellee Victoria's Secret, Appellee Victoria's Secret, Appellee V Secret Catalogue [00-5320] (cb)
3/30/00	APPEARANCE filed by Attorney Reford H. Coleman for Appellee Victoria's Secret, Appellee V Secret Catalogue [00-5320] (cb)

5/5/00	Request to require oral argument filed by Don A. Pisacano for Appellants Cathy Moseley, Victor Moseley [00-5320] (ds)
5/8/00	PROOF BRIEF filed by Don A. Pisacano for Appellants Cathy Moseley, Victor Moseley. Certificate of service date 5/5/00 Number of Pages: 34. [00-5320] _ (ds)
5/25/00	BRIEFING LETTER SENT requesting brief corrections from Don A. Pisacano because binding, references, [illegible]nation of appendix contents. Corrections due: 6/8/00, resetting briefing schedule: appellee brief now due 7/10/00; reply brief now due 7/24/00; appendix now due 7/31/00; all final briefs now due 8/21/00. [00-5320] . (ds)
6/12/00	Corrected appellant proof brief filed by Don A. Pisacano. Copies: 1. Certificate of Service date 6/8/00 [00-5320] (ds)
7/10/00	PROOF BRIEF filed by Frank J. Colucci for Appellee Victoria's Secret, Appellee Victoria's Secret, Appellee V Secret Catalogue. Certificate of service date 7/7/00. Number of Pages: 39+9. [00-5320] _ (jmb)
7/10/00	Request to require oral argument filed by Frank J. Colucci for Appellee Victoria's Secret, Appellee Victoria's Secret, Appellee V Secret Catalogue [00-5320] (jmb)
8/1/00	APPENDIX filed by Don A. Pisacano for Appellant Cathy Moseley, Appellant Victor Moseley. Copies: 5. Certificate of service date 7/31/00 [00-5320] (lak)

8/14/00	FINAL BRIEF filed by Frank J. Colucci for Appellees Victoria's Secret, Victoria's Secret, V Secret Catalogue. Copies: 7. Certificate of service date 8/11/00 . Number of Pages: 48. [00-5320] (lak)
8/14/00	Request to require oral argument filed by Frank J. Colucci for Appellees Victoria's Secret, Victoria's Secret, V Secret Catalogue [00-5320] (lak)
8/22/00	FINAL BRIEF filed by Don A. Pisacano for Appellant Cathy and Victor Moseley. Copies: 7. Certificate of service date 8/21/00 Number of Pages: 36. [00-5320] (lak)
8/22/00	Request to require oral argument filed by Don A. Pisacano for Appellant Cathy Moseley and Victor Moseley [00-5320] (lak)
4/16/01	Oral argument date set for June 14, 2001 in court room 403. Notice of argument sent to counsel. [00-5320] (rld)
6/14/01	CAUSE ARGUED on 6/14/01 by Don A. Pisacano for Appellant Cathy Moseley, Appellant Victor Moseley, Frank J. Colucci for Appellee Victoria's Secret, Appellee Victoria's Secret, Appellee V Secret Catalogue before Judges Jones, Daughtrey, Cole. [00-5320] (srw)
7/30/01	OPINION filed: AFFIRMED the judgment of the district court and thus uphold the grant of summary judgment to the plaintiff's in this case, base upon their claim under the Federal Trademark Dilution Act. Decision for publication pursuant to local rule 206 [00-5320] . Nathaniel R. Jones, Circuit Judge, Martha C.

	Daughtrey, Authoring Judge, R. G. Cole, Circuit Judge. (yh)
7/30/01	JUDGMENT FILED: AFFIRMED. (yh)
8/13/01	Appellant MOTION filed to extend time to 8/27/01 to file a petition for rehearing en banc. Motion filed by James R. Higgins for Appellants Cathy Moseley, Victor Moseley. Certificate of service date 8/13/01 [00-5320] (blh)
8/14/01	APPEARANCE filed by Attorney Scot Duvall for Appellant Cathy Moseley, Appellant Victor Moseley [00-5320] (cb)
8/14/01	APPEARANCE filed by Attorney James R. Higgins for Appellant Cathy Moseley, Appellant Victor Moseley [00-5320] (cb)
8/14/01	RULING granting motion to extend time to 8/27/01 to file a petition for rehearing en banc [2406620-1] filed by James R. Higgins Jr. . Petition to be filed by 8/27/01. [00-5320] (blh)
8/27/01	PETITION for en banc rehearing filed by James R. Higgins for Appellants Cathy Moseley, Victor Moseley. Certificate of service date 8/25/01. [00-5320] (blh)
10/4/01	ORDER filed denying petition for en banc rehearing [2414284-1] filed by James R. Higgins Jr. [00-5320]. Nathaniel R. Jones, Martha C. Daughtrey, R. G. Cole, Circuit Judges. (blh)
1/18/02	U.S. Supreme Court notice filed regarding petition for writ of certiorari filed by Appellant Victor Moseley, Appellant Cathy Moseley . Filed in the Supreme Court on 01-02-

02, Supreme Ct. case number: 01-1015. [00-5320] (swh)

4/19/02 U.S. Supreme Court letter filed granting petition for writ of certiorari [2489867-1] filed by Victor Moseley, Cathy Moseley [00-5320]. Filed in the Supreme Court on 4/15/02 (yh)

COLUCCI & UMANS
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[Names and Addresses Omitted in Printing]

February 25, 1998

VIA FEDEX

Mr. Victor Mosley
#20 300 Sycamores Street
Houchens Plaza
Elizabethtown, Kentucky 42701

RE: Our File D68-003

Dear Mr. Mosley:

We are Intellectual Property Counsel to The Limited Inc., including its wholly-owned subsidiaries Victoria's Secret Stores and Victoria's Secret Catalogue (collectively "Victoria's Secret").

Victoria's Secret owns and operates the well-known VICTORIA'S SECRET stores located throughout the United States as well as the well-known VICTORIA'S SECRET catalog world-wide. Victoria's Secret has been in business in the United States for many years and the name VICTORIA'S SECRET has become exclusively associated in the minds of the public with our client and its merchandise.

In addition, VICTORIA'S SECRET is a registered trademark with the United States Patent and Trademark

Office. Victoria's Secret also owns the VICTORIA'S SECRET catalog which is distributed throughout the United States. As a result, the VICTORIA'S SECRET name and trademark has acquired widespread public recognition and goodwill in the United States and is an extremely important and valuable asset of our client.

We have recently learned that you and Ms. Cathy Mosley own and operate a retail business named VICTOR'S SECRET which sells lingerie, dresses and novelties.

In our opinion and that of our client, your choice of VICTOR'S SECRET for a retail clothing store, in particular a store that specializes in lingerie, is likely to cause confusion with our client's well-known VICTORIA'S SECRET mark and name by suggesting a connection or association between you and Victoria's Secret. In addition, your use of VICTOR'S SECRET is likely to dilute the distinctiveness of our client's VICTORIA'S SECRET mark and name.

Accordingly, we request that you discontinue any and all use the mark VICTOR'S SECRET and any variations thereof immediately.

We look forward to hearing from you promptly in this matter in any event, no later than by *Friday, February 27, 1998*. Otherwise, we shall have no alternative but to take all appropriate further action to protect Victoria's Secret's rights.

Very truly yours,

/s/ G M Lombard
G. Mathew Lombard

GML:he

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[Names and Addresses Omitted in Printing]

March 20, 1998

VIA FEDEX

Mr. Victor Mosley
#20 300 Sycamores Street
Houchens Plaza
Elizabethtown, Kentucky 42701

RE: Our File D68-003

Dear Mr. Mosley:

Further to our letter of February 25th and our subsequent telephone conversations, in order for Victoria's Secret to consider whether your proposed name change to VICTOR'S LITTLE SECRETS and Hand Design would be acceptable, it must have the following information:

1) photographs of the interior and exterior of your store;

2) a drawing, illustration or sketch of the manner in which you propose to use the name VICTOR'S LITTLE SECRETS and Hand Design on store signs, business cards, shopping bags, etc., including any advertisements, *i.e.*, newspaper or telephone yellow pages advertisements; and

3) a list of the products sold in your store, specifically, the type of lingerie that your store sells (*i.e.*, novelty lingerie or traditional lingerie) as well as samples.

We look forward to receiving the requested information at your earliest convenience so that we may forward it to Victoria's Secret for its review.

Sincerely yours,

/s/ Frank J. Colucci/GML
Frank J. Colucci

FJC/GML:ae

UNITED STATES DISTRICT COURT FOR THE
WESTERN DISTRICT OF KENTUCKY

V SECRET CATALOGUE, INC., VICTORIA'S SECRET STORES, INC. and VICTORIA'S SECRET CATALOGUE, INC., Plaintiffs, v. VICTOR MOSELEY and CATHY MOSELEY d/b/a VICTOR'S LITTLE SECRET (formerly VICTOR'S SECRET), Defendants.	Civil Action No. 3:98CV 395-S **JURY DEMAND** (Filed Jun. 22, 1998)

COMPLAINT

Plaintiffs, V SECRET CATALOGUE, INC., VICTORIA'S SECRET STORES, INC. and VICTORIA'S SECRET CATALOGUE, INC., by their attorneys, as and for their complaint against defendants, VICTOR MOSELEY and CATHY MOSELEY, aver as follows:

THE PARTIES

1. Plaintiff, V SECRET CATALOGUE, INC. (hereinafter "V Secret"), is a Delaware corporation, having its principal office and place of business at 1105 North Market Street, Wilmington, Delaware 19801.

2. Plaintiff, VICTORIA'S SECRET STORES, INC. is a Delaware corporation, having its principal office and

place of business at Four Limited Parkway, Columbus Ohio 43216.

3. Plaintiff, VICTORIA'S SECRET CATALOGUE INC, is a Delaware corporation, having its principal office and place of business at 3425 Morse Crossing, Columbus, Ohio 43219.

4. Upon information and belief, defendants, VICTOR MOSELEY, owner, and CATHY MOSELEY, co-owner, d/b/a VICTOR'S LITTLE SECRET, formerly VICTOR'S SECRET, are sole proprietors having their principal office and place of business at #20 300 Sycamores Street, Houchens Plaza, Elizabethtown, Kentucky 42701.

JURISDICTION AND VENUE

5. Jurisdiction of this Court for the federal claims of trademark infringement, unfair competition and false designations of origin arises under the Trademark Laws of the United States, namely, the Trademark Act of July 5, 1946, commonly referred to as the Lanham Act, 15 U.S.C. §1051 *et seq.*, as amended by the Trademark Counterfeiting Act of 1984, Public Law 98-473, and is based upon 15 U.S.C. §1121 and 28 U.S.C. §§1331 and 1338(a). Jurisdiction of this Court for the related claims of common law trademark infringement and unfair competition is based upon pendent jurisdiction pursuant to 28 U.S.C. §1338(b) .

6. This Court has personal jurisdiction over defendants because they reside in the State of Kentucky in this judicial district; they are transacting and doing business in the State of Kentucky in this judicial district and they have committed tortious acts complained of hereinafter

within or without the State of Kentucky causing injury within the State of Kentucky in this judicial district.

7. Venue is proper in this judicial district pursuant to 28 U.S.C. §§1391(b) and 1391(c).

FACTS COMMON TO ALL COUNTS

8. Plaintiff, V Secret, is the owner of the VICTORIA'S SECRET trademark, trade name and service mark worldwide, which it licenses to Victoria's Secret Stores, Inc. and Victoria's Secret Catalogue, Inc. (hereinafter collectively, "Victoria's Secret").

9. Victoria's Secret is engaged in the business of advertising, offering for sale and selling in its VICTORIA'S SECRET stores and through its VICTORIA'S SECRET catalogs a wide range of women's lingerie, apparel and accessories.

10. VICTORIA'S SECRET merchandise has been distributed nationwide since long prior to the date on which defendants began operating their VICTOR'S SECRET store and since at least as early as 1981.

11. Upon information and belief, the defendants began operating their VICTOR'S SECRET and/or VICTOR'S LITTLE SECRET store in early 1998.

12. On or about June, 1977, Victoria's Secret, which term includes its predecessor-in-title, adopted and commenced using the trademark VICTORIA'S SECRET for women's outerwear, underwear and nightwear, including lingerie, robes, boxer shorts, dresses, shirts, pants, jackets and accessories.

13. The trademark VICTORIA'S SECRET has been duly registered in the United States Patent and Trademark Office under Registration No. 1,146,199 since January 1, 1981 and Registration No. 1,908,042 since August 1, 1995. True and accurate copies of said registrations are annexed hereto and made a part hereof as Exhibit A.

14. The aforesaid United States Registration No. 1,146,199 of the mark VICTORIA'S SECRET is in full force and effect, valid and incontestable, and V Secret is the owner thereof.

15. To date, Victoria's Secret has sold hundreds of thousands of garments bearing its VICTORIA'S SECRET trademark, as a result of which the public and the trade have come to identify and associate said trademark with Victoria's Secret as the source or origin of said goods and as a means whereby said goods are distinguished from similar goods or companies.

16. Since long prior to the acts of defendants, Victoria's Secret's sales of merchandise under the trademark VICTORIA'S SECRET have been substantial and the merchandise is widely and extensively advertised throughout the United States. In fact Victoria's Secret Stores, Inc.'s 1997 annual net sales exceeded $1.7 billion and Victoria's Secret Catalogue, Inc.'s 1997 annual net sales exceeded $734,000,000. Victoria's Secret regularly advertises its merchandise in its own catalogs, on television and in widely circulated magazines and major newspapers, including *Cosmopolitan*, *Vanity Fair* and *Glamour*, and engages in significant promotional activity.

17. As a result of extensive advertising, promotion and sales of Victoria's Secret merchandise, and because of the superior quality of Victoria's Secret's merchandise and

the extensive media coverage that Victoria's Secret and its products have received, the VICTORIA'S SECRET trademark has become famous and has come to be recognized by the public as exclusively identifying plaintiffs and plaintiffs' merchandise.

18. The trademark VICTORIA'S SECRET has acquired goodwill of inestimable value to Victoria's Secret.

19. Upon information and belief, notwithstanding said awareness, and by reason of the same, defendants own and operate a retail store, which sells, among other things, lingerie, under the trade name VICTOR'S LITTLE SECRET and which, upon information and belief, was formerly named VICTOR'S SECRET.

20. On February 25, 1998, attorneys for Victoria's Secret sent, *via* Federal Express, a letter (hereinafter "the First Letter") to defendants objecting to defendants' use of the name VICTOR'S SECRET and demanding that defendants discontinue their use of VICTOR'S SECRET as the name of their retail store. A copy of this letter is annexed hereto and made a part hereof as Exhibit B.

21. In response to the First Letter, defendant, VICTOR MOSELEY, telephoned Victoria's Secret's attorneys on February 26, 1998, at which time the possibility of amending the presentation of defendants' VICTOR'S SECRET name was discussed.

22. During the aforesaid telephone conversation, defendants agreed to send to Victoria's Secret's attorneys a proposed name change from VICTOR'S SECRET to VICTOR'S PRECIOUS SECRETS.

23. On March 20, 1998, plaintiffs' attorneys sent a second letter (hereinafter "the Second Letter"), also by

Federal Express, requesting photographs of the interior and exterior of defendants' store, specimens of defendants's merchandise, specimens of defendants' business cards, bags and letterhead and drawings of the proposed changes to the store name and store sign. A copy of this letter is annexed hereto and made a part hereof as Exhibit C.

24. On March 21, 1998, in response to the Second Letter, defendant, Victor Moseley, telephoned plaintiffs' attorneys to inform them of his objection to plaintiffs' attorneys' requests. Defendant, Victor Moseley, informed plaintiffs' attorneys that if plaintiffs' attorneys desired to see his store and specimens of his merchandise, plaintiffs' attorneys would have to visit the store in person. He also informed plaintiffs' attorneys that he had decided to change the name of his store to VICTOR'S LITTLE SECRET and would proceed to do so immediately. A photograph of defendants' store front is annexed hereto and made a part hereof as Exhibit D.

COUNT I

FEDERAL TRADEMARK INFRINGEMENT

25. Count I is an action for federal trademark infringement in violation of 15 U.S.C. §1114(1).

26. Plaintiffs repeat and incorporate herein by reference each and every one of the averments contained in paragraphs 1 through 24 of this complaint inclusive, with the same force and effect as if hereinagain set forth in detail.

27. Defendants have infringed plaintiffs' registered mark, VICTORIA'S SECRET, in interstate commerce or in

a manner affecting interstate commerce by various acts, including marketing, selling and offering for sale garments under the trade name VICTOR'S SECRET and/or VICTOR'S LITTLE SECRET.

28. Such unauthorized use by defendants reproduces, counterfeits, copies, colorably imitates, and constitutes trademark infringement of plaintiffs' federally registered trademark VICTORIA'S SECRET and is likely to cause confusion and/or mistake in violation of 15 U.S.C. §1114(1).

29. Upon information and belief, the activities of defendants complained of herein constitute willful and intentional infringement of plaintiffs' federal trademark registrations in disregard of plaintiffs' proprietary rights, and were commenced and have continued in spite of defendants' knowledge that the use of plaintiffs' trademark, or any reproduction, counterfeit, copy or colorable imitation thereof, was and is in direct contravention of plaintiffs' rights.

COUNT II

VIOLATIONS OF SECTION 43(a) OF THE TRADEMARK ACT

30. Count II is an action for unfair competition, false designation of origin, false description and misrepresentation arising under Section 43(a) of the Trademark Act, 15 U.S.C. §1125(a).

31. Plaintiffs repeat and incorporate herein by reference each and every one of the averments contained in paragraphs 1 through 24, inclusive, with the same force and effect as if hereinagain set forth in detail.

32. Plaintiffs' trademark VICTORIA'S SECRET is inherently distinctive and/or has acquired distinctiveness through secondary meaning by virtue of use thereof throughout the United States which has made it well-known to the trade and members of the purchasing public, and the trade and public generally associates and identifies the plaintiffs' said trademark with the plaintiffs.

33. Defendants have used VICTOR'S SECRET and/or VICTOR'S LITTLE SECRET in connection with the marketing, selling and/or offering of goods for sale in a manner that closely resembles Victoria's Secret's VICTORIA'S SECRET trademark and for goods which closely resemble plaintiffs' goods. Defendants have used VICTOR'S SECRET and/or VICTOR'S LITTLE SECRET to convey a commercial impression substantially identical to that of Victoria's Secret's use of VICTORIA'S SECRET, and defendants are marketing similar types of products at comparable prices to the same class of purchasers.

34. Defendants' use of VICTOR'S SECRET in connection with a retail store service which markets, offers for sale and sells lingerie is intended to and is likely to cause the public to believe that defendants' goods are authorized, sponsored or approved by, or otherwise affiliated or connected with plaintiffs and their merchandise.

35. Defendants' acts of false designations of origin, and false descriptions and representations and unfair competition, unless enjoined by this Court, will continue to cause plaintiffs to sustain irreparable damage, loss and injury, for which plaintiffs have no adequate remedy at law.

COUNT III

VIOLATIONS OF THE FEDERAL DILUTION ACT

36. Count III is an action for federal dilution in violation of 15 U.S.C. §1125(c)(1).

37. Plaintiffs repeat and incorporate herein by reference each and every one of the averments contained in paragraphs 1 through 24, inclusive, with the same force and effect as if hereinagain set forth in detail.

38. Defendants' conduct is likely to blur and erode the distinctiveness of plaintiffs' VICTORIA'S SECRET trademark and tarnish the reputation of plaintiffs and said mark, with consequent damage to plaintiffs and the goodwill symbolized by said trademark, in violation of Section 3 of the Federal Dilution Act, 15 U.S.C. §1125(c)(1).

COUNT IV

COMMON LAW TRADEMARK INFRINGEMENT and UNFAIR COMPETITION

39. Count IV is an action for trademark infringement and unfair competition in violation of the common law of the state of Kentucky.

40. Plaintiffs repeat and incorporate herein by reference each and every one of the averments contained in paragraphs 1 through 24, inclusive, with the same force and effect as if hereinagain set forth in detail.

41. Plaintiff is the owner of all rights, title and interest in and to the trademark VICTORIA'S SECRET by

virtue of its adoption and use, and its extensive advertising, offering for sale and sale of various apparel bearing said trademark.

42. Defendants' retail store incorporates imitations of plaintiffs trademark.

43. Upon information and belief, defendants are unfairly using the VICTOR'S SECRET and/or VICTOR'S LITTLE SECRET name(s) in connection with merchandise closely associated with plaintiffs' goods and trademark as to misappropriate plaintiffs' goodwill in their VICTORIA'S SECRET trademark.

44. The unauthorized acts by defendants in connection with their advertising, offering for sale and sale of their goods under the names VICTOR'S SECRET and/or VICTOR'S LITTLE SECRET constitutes trademark infringement of plaintiffs, aforesaid trademark and unfair competition with plaintiffs, and is likely to cause confusion and mistake in the minds of the trade and the purchasing public as to the source or origin of defendants' garments and to cause purchasers to erroneously believe that defendants' garments are authentic garments of, or authorized by, plaintiffs when, in fact, they are not and/or that the defendants are authorized to do business under the name VICTOR'S SECRET or otherwise endorsed by plaintiffs when, in fact, defendants are not so authorized.

45. By their actions, defendants are improperly trading upon the reputation and goodwill of plaintiffs and are impairing the distinctiveness of plaintiffs' valuable rights in and to their VICTORIA'S SECRET trademark.

46. Upon information and belief, the activities of defendants complained of herein constitute willful and

intentional acts and common law infringement of plaintiffs' trademark and constitute unfair competition.

WHEREFORE, plaintiff demands:

A. That defendants, their agents, servants, employees, attorneys, representatives, successors and assigns and all persons, firms, or corporations in active concert or participation with them, be enjoined and restrained, during the pendency of this action and permanently from:

(1) directly or indirectly infringing the plaintiffs' trademark VICTORIA'S SECRET of plaintiff, in any manner, including generally, but not limited to, manufacturing, distributing, advertising, selling, or offering for sale and distributing any merchandise which infringes said trademark and specifically:

(a) using the designation VICTOR'S SECRET and/or VICTOR'S LITTLE SECRET, or any mark similar thereto, or any reproduction, counterfeit, copy, or colorable imitation of said trademark in connection with the manufacture, distribution, advertising, offering for sale, sale or other use of apparel or accessories;

(b) applying the designation VICTORIA'S SECRET and/or VICTOR'S SECRET and/or VICTOR'S LITTLE SECRET or any such reproduction, counterfeit, copy, or colorable imitation to any label, sign, print, package, offering for sale or sale of any apparel or accessories;

(2) using any designation, trademark, trade name, logo or design that tends to falsely represent that, or is likely to confuse, mislead, or deceive purchasers, defendants' customers, or members

of the public that the unauthorized merchandise manufactured, distributed, advertised, sold or offered for sale by defendants originates from plaintiffs, or that said merchandise has been sponsored, approved, or licensed by or associated with plaintiff or is in some way connected or affiliated with plaintiffs;

(3) engaging in any conduct that tends falsely to represent, or is likely to confuse, mislead, or deceive purchasers, defendants' customers, or members of the public to believe that the actions of defendants or defendants themselves are connected with plaintiffs, are sponsored, approved, or licensed by plaintiffs, or are in some way connected or affiliated with plaintiffs;

(4) affixing, applying, annexing or using in connection with the manufacture, distribution, advertising, offering for sale, sale, or other use of any apparel or accessories, a false description or representation, including words or other symbols, tending to falsely describe or represent such goods as being those of plaintiffs;

(5) otherwise infringing the trademark VICTORIA'S SECRET or competing unfairly with plaintiffs in any manner or damaging plaintiffs' goodwill, reputation or business;

(6) destroying or otherwise disposing of;

(a) merchandise falsely bearing the designation VICTORIA'S SECRET, VICTOR'S SECRET and/or VICTOR'S LITTLE SECRET;

(b) any other merchandise which reproduces, copies, counterfeits, imitates or bears plaintiffs' trademark VICTORIA'S SECRET,

VICTOR'S SECRET and/or VICTOR'S LITTLE SECRET;

(c) any promotional or advertising materials, labels, packages, wrappers, containers, or any other unauthorized items which reproduce, copy, counterfeit, imitate or, bear plaintiffs' trademark VICTORIA'S SECRET, VICTOR'S SECRET and/or VICTOR'S LITTLE SECRET;

(d) any screens, patterns, plates or negatives used specifically for making or manufacturing labels, apparel or accessories bearing plaintiffs' trademark VICTORIA'S SECRET or intimates plaintiffs' VICTORIA'S SECRET trademark;

(e) any sales and supplier or customer journals, ledgers, invoices, purchase orders, inventory control documents, bank records, catalogs, recordings of any type whatsoever and all other business records and documents believed to concern the manufacture, purchase, advertising, offering for sale or sale of any merchandise bearing the designation VICTORIA'S SECRET or VICTOR'S SECRET or VICTOR'S LITTLE SECRET.

B. That defendants be required to account for all profits realized by defendants as a consequence of its unlawful acts and infringements alleged herein, and that the amount of profits realized by defendants by reason of its unlawful acts be increased to a sum not exceeding three times the amount thereof, as provided by law pursuant to §35 of the Lanham Act, 15 U.S.C. §1117.

C. That damages be awarded to plaintiffs in the full amount plaintiffs have sustained as a consequence of

defendants' acts, together with any and all profits of defendants which are attributable to, or arise out of or from such wrongful acts and infringements, trebled where provided by law pursuant to §35 of the Lanham Act, 15 U.S.C. §1117.

D. That plaintiffs be awarded punitive damages as may be allowed under Kentucky law.

E. That plaintiffs be awarded all costs, disbursements and plaintiffs' reasonable attorney's fees pursuant to §35 of the Lanham Act, 15 U.S.C. §1117.

F. That plaintiff have all other and further relief as the Court may deem just and equitable under the circumstances.

DEMAND FOR JURY

Plaintiffs demand a jury trial as provided for in Rule 38, Federal Rules of Civil Procedure.

Dated: Elizabethtown, Kentucky
May ___, 1998

COLEMAN, EASTON, LOCHMILLER & HALL

By: /s/ Reford H. Coleman
Reford H. Coleman
2907 Ring Road
P.O. Box 4030
Elizabethtown, Kentucky 42702
(502) 737-0600

[Exhibits A, B, C, And D Omitted In Printing; They Are Available In The Record At R.1.]

UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF KENTUCKY,
CIVIL ACTION NO. 3:98 CV-395-S

V SECRET CATALOGUE, INC.
VICTORIA'S SECRET STORES, INC. and
VICTORIA'S SECRET CATALOGUE, INC.

PLAINTIFFS

vs. **ANSWER**

VICTOR MOSELEY and CATHY MOSELEY
d/b/a VICTOR'S LITTLE SECRET
(formerly VICTOR'S SECRET)

DEFENDANTS

(Filed Aug. 04, 1998)

* * *

Come the Defendants, Victor Moseley and Cathy Moseley d/b/a VICTOR'S LITTLE SECRET, by and through counsel, and for their Answer to the Complaint state and allege as follows:

1. Defendants are without sufficient knowledge or information to form a belief as to the truth or falsity of the allegations contained in paragraphs 1 through 3 of the Complaint and therefore deny same.

2. Defendants admit the allegations contained in paragraphs 4 and 5 of the Complaint with the exception of the address of their business which is located on Sycamore Street, not Sycamores Street.

3. Defendants admit that portion of paragraph 6 of the Complaint which alleges that this Court has personal jurisdiction over Defendants because they reside in the

State of Kentucky in this judicial district and are transacting and doing business in the State of Kentucky in this judicial district, but deny the remainder of the allegations contained in paragraph 6 of the Complaint.

4. Defendants admit the allegations contained in paragraph 7 of the Complaint.

5. Defendants are without sufficient knowledge or information to form a belief as to the truth or falsity of the allegations contained in paragraph 8 of the Complaint and therefore deny same.

6. Defendants admit the allegations contained in paragraph 9 of the Complaint.

7. Defendants are without sufficient knowledge or information to form a belief as to the truth or falsity of the allegations contained in paragraph 10 of the Complaint and therefore deny same.

8. Defendants admit the allegations contained in paragraph 11 of the Complaint.

9. Defendants are without sufficient knowledge or information to form a belief as to the truth or falsity of the allegations contained in paragraphs 12 through 18 of the Complaint and therefore deny same.

10. In regard to paragraph 19 of the Complaint, Defendants admit they own and operate a retail store under the name VICTOR'S LITTLE SECRET, which was formerly named VICTOR'S SECRET and which sells, among other things, lingerie, but deny that any merchandise sold in said store has labels which include the name of Defendants' store.

11. Defendants admit the allegations contained in paragraph 20 of the Complaint.

12. In regard to paragraph 21 of the Complaint, Defendants admit that in response to the "First Letter", Victor Moseley telephoned Victoria's Secret's attorneys on or about February 26, 1998, at which time the possibility of amending the presentation of Defendants' VICTOR'S SECRET name was discussed.

13. In regard to paragraph 22 of the Complaint, Defendants admit that during the aforementioned telephone conversation, Victor Moseley agreed to send to Victoria's Secret's attorneys a proposed name change for VICTOR'S SECRET to VICTOR'S PRECIOUS SECRETS.

14. Defendants admit the allegations contained in paragraphs 23 through 25 of the Complaint.

15. Defendants respond to the allegations contained in paragraph 26 of the Complaint as set forth above in paragraphs 1 through 14 of this Answer.

16. Defendants deny the allegations contained in paragraphs 27 through 29 of the Complaint.

17. Defendants admit the allegations contained in paragraph 30 of the Complaint.

18. Defendants respond to the allegations contained in paragraph 31 of the Complaint as set forth above in paragraphs 1 through 17 of this Answer.

19. Defendants admit the allegations contained in paragraph 32 of the Complaint.

20. Defendants admit that portion of paragraph 33 of the Complaint which alleges that Defendants have used

VICTOR'S SECRET and/or VICTOR'S LITTLE SECRET in connection with the marketing, selling and/or offering of goods for sale, but deny the remainder of the allegations contained in paragraph 33 of the Complaint.

21. Defendants deny the allegations contained in paragraphs 34 and 35 of the Complaint.

22. Defendants admit the allegations contained in paragraph 36 of the Complaint.

23. Defendants respond to the allegations contained in paragraph 37 of the Complaint as set forth above in paragraphs 1 through 22 of this Answer.

24. Defendants deny the allegations contained in paragraph 38 of the Complaint.

25. Defendants admit the allegations contained in paragraph 39 of the Complaint.

26. Defendants respond to the allegations contained in paragraph 40 of the Complaint as set forth above in paragraphs 1 through 25 of this Answer.

27. Defendants are without sufficient knowledge or information to form a belief as to the truth or falsity of the allegations contained in paragraph 41 of the Complaint and therefore deny same.

28. Defendants deny the allegations set forth in paragraphs 42 through 46 of the Complaint.

29. Defendants deny any and all allegations not specifically admitted herein.

FIRST AFFIRMATIVE DEFENSE

The name alleged to be an infringement of Plaintiffs' trademark is a use of Defendant Victor Moseley's name in his own business, is descriptive of said business and is used fairly and in good faith to describe the nature and origins of Defendants' business and the goods and services provided by said business.

SECOND AFFIRMATIVE DEFENSE

Plaintiffs' claims are barred by the equitable doctrines of estoppel, laches and/or acquiescence.

THIRD AFFIRMATIVE DEFENSE

Defendant's use of the name VICTOR'S LITTLE SECRET in a limited geographic area is unlikely to confuse, mislead or deceive a consumer as to any affiliation, connection or association of Defendants with the goods or services provided by Plaintiffs.

WHEREFORE, the Defendants Victor Moseley and Cathy Moseley d/b/a VICTOR'S LITTLE SECRET, request that the Complaint be dismissed with prejudice, that they be allowed to recover their attorneys fees and costs expended in the defense of this action and that they be

granted any and all other relief to which they may be entitled, including a trial by jury on all issues so triable.

Respectfully submitted,

STITES & HARBISON

BY: /s/ Don A. Pisacano
DON A. PISACANO, ESQ.
250 West Main Street
Suite 2300
Lexington, Kentucky 40507
Telephone: (606) 226-2300
COUNSEL FOR DEFENDANTS, VICTOR AND CATHY MOSELEY d/b/a VICTOR'S LITTLE SECRET

and

JOHN E. SPAINHOUR, ESQ.
GIVHAN & SPAINHOUR
Doctors Alley & 3rd Street
P. O. Box 65
Shepherdsville, Kentucky 40165
Telephone: (502) 543-2218

CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing Answer has been served by first class U.S. Mail upon the following:

Redford H. Coleman, Esq.
2907 Ring Road
P. O. Box 4030
Elizabethtown, Kentucky 42702

on this the 4th day of August, 1998.

/s/ [Illegible]
COUNSEL FOR THE ABOVE-NAMED DEFENDANTS

UNITED STATES DISTRICT COURT

WESTERN DISTRICT OF KENTUCKY

AT LOUISVILLE

V SECRET CATALOGUE, INC., VICTORIA'S SECRET STORES, INC. and VICTORIA'S SECRET CATALOGUE, INC.	)	
Plaintiffs	)	NO. 3:98CV-395-S
VS.	)	(Filed Nov. 18, 1998)
VICTOR MOSELEY and CATHY MOSELEY d/b/a VICTOR'S LITTLE SECRET (formerly VICTOR'S SECRET)	)	
Defendants	)	

THE DEPOSITION OF VICTOR MOSELEY
TAKEN BY THE PLAINTIFF
Elizabethtown, Kentucky
October 29th, 1998

TRIELOFF COURT REPORTING
Carl R. Trieloff
120 East Memorial Drive
Elizabethtown, KY 42701 (502) 737-2028

* * *

[6] Q. Could you just briefly tell me what your educational background is?

A. I have a GED.

Q. Okay. And what is that?

A. General education diploma.

Q. Okay. And can you briefly tell me what your employment background has been, say your first full-time job, up until the business that we're talking about in this case?

A. Run that by me again.

Q. Okay. Just give me a general background as to the jobs that you've had over the past few years?

A. Retail.

[7] Q. Full-time jobs.

A. Retail.

Q. Okay. Retail –

A. Department stores. My last position was general manager over 9 stores.

Q. And with what company?

A. New Age Gifts.

Q. And what kind of merchandise is that?

A. Rock and roll, lava lights, black lights, jewelry, smoking paraphernalia, adult novelty and gifts. Basically it was more like a head shop. That's about the easiest way to refer to it.

Q. Now I'm not familiar with the Kentucky area, was this a local store?

A. Louisville.

Q. Louisville. Okay. And how long did you work for them?

A. Approximately four years. Can't remember exactly.

Q. Was that the most recent job that you had before starting the present business?

A. Yes.

* * *

[9] Q. It just makes it a little easier for the court reporter. Also the record will read a little better if we just slow down a little bit. And I also asked you to produce some documents, do you recall that?

A. Yes.

Q. And the documents are here today, is that correct?

A. Yes.

Q. Now, in your answers to the interrogatories – I think you have the original right in front of you – like at interrogatory number 1, you mention two businesses: East View Enterprizes and Debesst Paging; do you see that?

A. Um-hm.

Q. What is East View Enterprizes?

A. My wife owns East View Enterprizes. East View Enterprizes started out with selling adult novelty and gifts, the in-home parties, plus a diet formula.

Q. Are you involved in that business?

A. Now I am, yes.

Q. And where is it located?

A. It's run out of our home.

Q. Not at the location where Victor's [10] Little Secret is?

A. It's kind of a combo. We book in-home parties through the store.

Q. Okay. And what is Debesst Paging?

A. It's a paging company. Pretty well self-explanatory.

Q. All right. And whose business is that?

A. That is Cathy's.

Q. All right. And where is that run out of?

A. Both; home and store.

Q. How long has East View Enterprizes been in business, approximately?

A. A year.

Q. And Debesst Paging?

A. 9 months. No, be longer than that, I'm sorry, it would be a year.

Q. How long have you been married?

A. 25 years.

Q. Have you always been in business together?

A. No.

Q. This was a new enterprizes?

A. Yes.

[11] Q. And all these businesses: East View and Debesst Paging, and Victor's Little Secret was something you decided upon within the last year or two?

A. Yes.

Q. All right. Let's go just before you – to the time before you decided to start a business that eventually became known as initially Victor's Secret and later or now Victor's Little Secret. Do you remember about when that was?

A. Three weeks before February 7th. I can't remember the date, but it was approximately three weeks before that.

Q. Of 1998, correct?

A. No. That would be 1997.

Q. Okay. 1997.

A. Because we thought about it – no, 1998. January 26th. Around January 26th.

Q. Okay. Of what year?

A. 1998.

Q. All right. So when can you best, in your own mind, state when you began to think about this business that eventually became known as Victor's Little Secret?

A. Three weeks before February 7th.

[12] Q. And what brought this about?

A. I'd been unemployed, I was laid off from my previous job, I was hunting for a job. My unemployment was getting ready to run out. And I couldn't find a job in

my position, which is general manager, the market was pretty well flooded. So if I was going to have to work for a minimum wage I decided I'd do it on my own.

Q. Now, were these other businesses, East View Enterprizes and Debesst Paging in existence at that time?

A. Yes.

Q. And they were being run out of your home?

A. Yes.

Q. Now, one of the things you had to do was find a location, correct?

A. Yes.

Q. And is that leased, the current location?

A. Yes.

Q. And when did you sign the lease?

A. I can't remember an exact date, but it was in that three-week span.

Q. Okay. Now, do you understand the [13] difference between a proprietorship, meaning, you know, where two people or one person gets together and runs a business without being incorporated, as opposed to a corporation; do you understand that?

A. Yes.

Q. What is your legal – what kind of legal entity are you?

A. We're a proprietorship.

Q. Okay. And who – what is the name of the landlord at your location?

A. Houchen's Plaza.

Q. And did you sign the lease?

A. I can't remember whether I signed it or Cathy signed it.

Q. And are you both the lessees; you and Mrs. Moseley the lessees?

A. I believe she's the only one on the lease.

Q. And how long is the lease for?

A. It was on one-year terms with options to renew. And up to five years, I believe. Without having it in front of me I can't remember.

Q. Okay. So your best understanding now – I know it's a legal document – but your best understanding is you had a lease, when did [14] the lease begin?

A. First of February.

Q. Okay. Of '98?

A. Yes.

Q. And it's a one-year lease with options to renew, is that what you're saying?

A. Correct.

Q. Okay. Is anyone else involved in this business besides you and your wife?

A. No.

Q. And did you have to put up money to start this business?

A. Yes.

Q. Okay. And was – did anybody help you along with the financing for the company?

A. No. Credit cards.

Q. Okay. Now, how much space is there at this store that's now called Victor's Little Secret?

A. Approximately 1100 to 1200 square feet.

Q. Okay. And can you describe the exterior of the shop?

A. I can describe the front and the back.

Q. Okay.

[15] A. But it's a whole line of buildings. It's a strip mall. It's not set off by itself.

Q. Let's just talk about your shop, without the rest of the buildings, okay? What does the front of your shop look like?

A. Front is approximately – approximately 40 feet across. No, be 20 – 22 feet across. And brick on the bottom. Glass windows, doors, up at the top is a metal backing. And of course our sign is there. The back is rather plain. It's just metal back.

Q. Okay. The back entrance is what you're talking about?

A. Yes.

Q. Can you see through the windows?

A. Yes.

Q. And what would you see if you looked through the windows of your shop? Are they display windows, for example?

A. Yes.

Q. What's on display in your windows, currently?

A. Wizard candles, skulls, pumpkin innocence [sic] burners, claw innocence [sic] burners, puzzles, pumpkins, manikin [sic] with a vampire bat [16] outfit on. A manikin [sic] with harem girl outfit on. A sign that says "Debesst Pagers", a sign that says "free pager", a sign that says "free activation, $7.00 a month air time". Lava lights, icon lava lights. A male torso with a thong on, a Halloween thong. I can't remember what the Halloween thong says. He's got a wizard necklace on. A bone box. The manikin [sic] with the harem girl outfit has a belly chain on. I said the puzzles. A basket of flowers. A live plant. And that's about all I can remember.

Q. That's very good. Now, I take it that the display windows, at this time, since we're coming up to Halloween, is sort of displayed for the Halloween season, is that correct?

A. That's correct.

Q. Okay. And going back to when the store initially opened when it was called just Victor's Secret, would it be substantially the same?

A. Yes.

Q. All right. And now this is an adult shop, correct?

A. No.

Q. All right.

[17] A. It's set up where children can enter. Because everything in the adult portion is kept in a separate portion of the store.

Q. Okay. Are there any adult or what I call x-rated items shown in the window display –

A. No.

Q. – windows. Okay. So a child or somebody who is not an adult can look in the windows safely, essentially?

A. Correct.

Q. Okay. Is there any signage to indicate that this is an adult, or they have an adult section in there?

A. Yes.

Q. Where do you see that?

A. At the back of the store, where the store is divided.

Q. But looking at it from the outside would anybody know that there was an adult section in the store?

A. You can see the sign from the window, yes.

Q. Would that be similar to, for example, in a video rental store, where they would have an adult section, as opposed to general audience [18] films on the outside?

A. Yes.

Q. Okay. Now, when you go inside the store how is it laid out?

A. Down the walls on both sides are pegboard and Lowe's shelving. And down through the – the center are clothing fixtures, clothing racks. We have some dump tables scattered around. On the right-hand side, which abuts up to the adult section, is a run of glass show cases. And there's an entrance to the adult center behind the show cases for us to use, and then the customer has to go in and around to get to the adult section from the outside.

Q. Okay. Now just, before we get into the adult section, let's just talk about the area that doesn't have adult items. Do you sell any type of clothing items in this section? You said – you mentioned clothing racks?

A. I sell lingerie, men's thongs, women's crotchless underwear, lycra dresses, weightlifter gloves, T-shirts, novelty T-shirts, leather chaps, and leather outfits.

Q. Okay. We're still in the non-adult section we're talking about?

[19] A. Correct.

Q. Okay. Now, I don't mean to be prudish or anything, but in this section the type of clothing that you're mentioning, is that clothing that ordinary people would wear, as opposed to something that would be shown in some of these catalogs?

A. Well, my customers are ordinary people and they buy it. That's the best way I can put it.

Q. Well, let me see if I can be a little clearer. In some of the lingerie that's shown in the catalogs that you brought along here, I would say is of the adult type; would you agree with that?

A. No. I wouldn't agree with that.

Q. All right. Is it similar to the lingerie that you would buy in a department store that you're selling in this non-adult – in this non-adult section, or is it some kind of special clothing item – items?

A. It's a combination of both.

Q. Okay. And how would you – how would you differentiate between the two? I mean, between a type of clothing items that you would [20] find in a department store and the kind of clothing items that you sell in your non-adult section?

A. I sell no clothing items out of my adult section. You can buy the same types of lingerie we sell in other department stores. Baby dolls, there's other stores that sell leather outfits, and so forth.

Q. Okay. And how much of the – again, we're still talking about the non-adults section – is it made up of clothing items as opposed to other items?

MR. PISCANO: Let me just maybe clarify that. Are you looking for space, square footage, percentages?

Q. No, percentage of items, merchandise. In other words, item by item. I mean, are you selling more clothing than you're selling of all these other things? If you look at your answer to interrogatory –

A. Of non-adult?

Q. Yes. In the non-adult section. Let me see if I can – what do you sell the most of in the non-adult section? What type of merchandise?

A. That would be hard to say. I sell a [21] lot of everything. I mean, I sell a lot of – I sell a lot of lingerie, I sell a lot of thongs, I sell a lot of incense, I sell a lot of electrical supplies, jewelry, diet formula.

Q. Okay. Are there any posters on the walls inside the non-adult section?

A. Rock and roll prints.

Q. All right. Now let's go into the adult section. Is that cordoned off or closed off somehow so that people that are in the non-adult section can't go in there?

A. Yes.

Q. And how is it cordoned off, or how is it blocked off?

A. It's in a room by itself.

Q. Yes.

A. The room is approximately 8 by 10. The employee entrance or our entrance to the adult room is behind the show cases on the right-hand of the store and the building is divided in half. To get – for the customer to get into the adult room we have to step through, unlock the door, and they go through an opening that's on the right-hand side. They actually go in a hall, then into a door.

[22] Q. So somebody can't just wander in there without you knowing it?

A. Correct.

Q. Okay?

MR. PISACANO: You need to let him ask the question first. Okay. Make sure you let him finish his question.

Q. Is there any other way of entering the adult section other than through the store or the way you just described?

A. No.

Q. Can you go in through a back door, for example?

A. No.

Q. Okay. Now what is in this adult section, this 8-by-10 room?

A. Okay. We have adult novelties, adult videos – do you want specific breakdown?

Q. No. Just generally like to know what's in there?

A. Adult novelties, adult videos, risque cards, gift cards, greeting cards. Anything we feel might be extremely offensive to the general public to where they might be offended.

Q. Okay. I mean, in this particular [23] room, does a person enter one at a time or can you have two, three, four people in there at one time?

A. With the size of the space, if it's a group that come in together, husband and wife, three or four women, we will let that group in. But then the customer has to wait – the next customer would have to wait until they finish their shopping.

Q. Okay. Is there any signage inside this adult section? Posters, or anything like that, on the walls?

A. The same gentleman that does the prints does some risque prints, those are up. There's a sign that says absolutely no refunds or exchanges.

Q. And when somebody purchases or wants to purchase something from the adult section they come out of the room, they bring their purchases to the front of the store?

A. No, sir.

Q. Where do they make the purchase?

A. The purchase is bagged in the back in brown paper bags, then we bring it to the register and ring it.

Q. Okay. All right. Now let's talk [24] about, since you mentioned bags, do you have shopping bags that have the name of your store on them?

A. No.

Q. Do you have any wrapping paper that has the name of your store on them?

A. No.

Q. So it's all brown paper type thing?

A. Well, brown paper, the plastic thank you bags, the general thank you bags.

Q. Do you have business cards?

A. Yes.

Q. Okay. And do you have one with you?

A. Sure. I have two styles. (Witness hands cards to Mr. Colucci) The difference being is the back.

Q. Oh, okay. I see. All right, can we mark these?

MR. PISACANO: Yes. Let me see them.

MR. COLUCCI: Okay. So let's mark the one business card with nothing on the back, for identification, as Plaintiff's Exhibit 2, and the card – the business card that has a 25 percent off discount on the back as Exhibit 3.

[25] (REPORTER'S NOTE: PLAINTIFF'S EXHIBIT NO. 2 – PLAIN BUSINESS CARD; AND NO. 3 – BUSINESS CARD WITH DISCOUNT ON BACK – WERE MARKED FOR IDENTIFICATION)

Q Now, Mr. Moseley, when you started the – this business I take it you had business cards, correct?

A. No.

Q. You did not have business cards? Did you ever have any business cards that just said Victor's Secret without Little Secret on it?

A. No.

Q. All right. And was there a sign over your store at one time that just said Victor's Secret –

A. No.

Q. – as opposed to Victor's Little Secret?

MR. PISACANO: Again.

THE WITNESS: I'm sorry.

MR. PISACANO: You're thinking too quickly.

MR. COLUCCI: And I'm speaking too slowly.

MR. PISACANO: Let him ask the [26] question, get it out, and then you get to answer. Try to count to 3 after he's finished –

THE WITNESS: Okay.

MR. PISACANO: – talking.

Q. Do you have any other materials that a person would take away from your store after visiting them that would have Victor's Secret or Victor's Little Secret on them?

A. The register receipt.

Q. Okay.

A. If they used a charge card, it's on our charging and printer. I believe that's it.

Q. You brought to the deposition some catalogs, correct –

A. Right.

Q. – that are here on the table? And I'll just pick up the top one. See if we can mark this as Plaintiff's Exhibit 4 for identification

(REPORTER'S NOTE: PLAINTIFF'S EXHIBIT NO. 4 – COVER OF CATALOG – WAS MARKED FOR IDENTIFICATION)

Q. Mr. Moseley, tell me what we've marked as Exhibit 4, if you can identify that for the record, please?

[27] A. Okay. This is a generic catalog that we purchase from Minor Creations, and we put our own price list in this and then we sell this to the customer. If they

come into the store, they want to purchase it, we will sell it to them and then they can come into our store and order merchandise from it.

Q. Okay. So are you saying that you actually sell the catalog, itself?

A. Yes.

Q. And where – where would the customer see these catalogs?

A. They would ask. They are not out on display or anything else, they would just ask do you have a catalog of this or that.

Q. How would they know to ask?

A. Never thought about it. They just ask.

Q. Do you tell them that you have catalogs in case they want to order something, or –

A. Yes.

Q. Okay. And where are the catalogs kept, where do you keep them?

A. We have a stack of catalogs on the [28] counter that – one of each catalog that a customer can look through. Then if they request one of these catalogs these are kept in a file cabinet in the back.

Q. Are these catalogs on display in the non-adult section of the store?

A. Yes.

Q. And did you always have these catalogs in the store from the time it first opened?

A. Not all of them.

Q. Okay. Catalogs like them, okay?

A. Yes.

Q. And I noticed, in – there are about five or six here, all told, and some of them have sticker on that says Victor's Little Secret –

A. Yes.

Q. – correct? And did it always have a sticker on the catalogs?

A. No.

Q. And why do you put a sticker on some and not others?

A. When a customer buys one we put a sticker on there.

Q. I see. Okay. Now, did you have other stickers previous to the ones that says Victor's [29] Little Secret, that just said Victor's Secret?

A. No.

Q. Is it fair to say that you never had any materials at any time that just had Victor's Secret on it, as opposed to Victor's Little Secret?

A. Yes.

Q. And what do you sell the catalogs for?

A. Depends on the catalog. $2.75 to $5.00.

Q. And do you physically take the orders in the store from the catalog, or are they phone-in, or how –

A. We take them in the store. The customer puts down a 25 percent deposit, and then we order the item for them.

Q. And then does the item come to the store, or does it go directly to the purchaser?

A. Comes to the store.

Q. Now, are you listed in any telephone books?

A. Yes.

Q. Which – which telephone books are you listed?

A. I'm trying to remember. I believe [30] just the Eliz – local Elizabethtown.

Q. All right. Now, I'm not familiar with what that looks like. Where I'm from we have a white pages and a yellow pages. Is that – is this a classified directory, like a Yellow Pages?

A. It's both.

Q. It's both?

A. White and yellow.

Q. Which section are you in, or are you in both?

A. I can't remember.

Q. Okay.

A. To be honest.

Q. And do you know how you're listed? I mean, is it Victor's Little Secret?

A. Victor's Little Secret.

Q. In some of the telephone directories there are display ads, are you familiar with that?

A. Yes.

Q. Do you have a display ad in this directory that you're in?

A. No.

Q. How long have you been listed in the local telephone directory?

A. It just came out in the new phone [31] book.

Q Okay.

A. And I believe that was in – I believe it was in August. I can't remember when the new phone books came out.

Q. Can you tell me, again, what the name the directory is that you're listed in, the telephone directory?

A. It's the Elizabethtown phone directory.

Q. And you're not listed in any other directories –

A. Not that I know of.

Q. – outside – do you have a – I was going to ask you about a 800 number, but I see there's a 1 877, is that the same as an 800 number?

A. That's the same.

Q. Ran out of 800 numbers so you got 877 now?

A. Yes.

Q. And is that listed in the telephone directory, as well; do you know?

A. I don't know.

Q. Is there a recording or anything on [32] your telephone machine, when somebody calls in if you're not there –

A. No.

Q. – do they get a recording? And what is the general price range of the merchandise that you sell? I mean, what's the, say, the least expensive to the most expensive item in your store?

A. 75 cents to $279.99.

Q. Okay. What's $279, for example?

A. A blow-up doll.

Q. Now, besides you and your wife, do you have any other employees in the store?

A. No.

Q. Now, there are some documents here also that show your business registration, et cetera?

A. Yes.

Q. Did you attend to all of that, you and your wife, yourself, or did you have some assistance from an attorney, or what?

A. Cathy and I did.

Q. You did it all yourself, right?

A. Yes.

Q. When you say in your – when you say [33] in your answer to interrogatory number 6 – if you look at it, it's on page 4 – You say we checked at the Hardin County Clerk's office and no names close were recorded; did you personally do that you and Cathy?

A. Yes.

Q. I'm sorry, Mrs. Moseley. Is it fair to say that you did this – set up this entire business, just you and her –

A. Yes.

Q. – on your own? Okay. Now what kind of advertising do you do for your shop, other than the fact that there's a store there and people pass by and see it, do you place any advertisements in newspapers, for example, or do any radio commercials or whatever?

A. We've done a couple radio commercials. We did – we advertised in the "Weekly Shopper", which is a free issue. And we have advertised in some of the newspapers.

Q. Okay. I'm not familiar with the "Weekly Shopper", where does that circulate, is that just in Elizabethtown?

A. No.

Q. What's the geographic area that it [34] circulates, if you know?

A. I can't remember. He showed me a map. I can't remember.

Q. Is it local?

A. Basically local area.

Q. Okay. And is this – is this a – I mean, how large a newspaper is it, or how large a publication is it?

A. About 8 pages.

Q. And do you take the display ads out in this weekly shopper?

A. Describe a display ad for me, what you're referring to as a display ad.

Q. All right. What type advertising do you put in the weekly shopper? Do you have a sample of it here?

MR. PISACANO: We produced those in the initial disclosure, I think.

THE WITNESS: I think we did.

MR. PISACANO: This what you're talking about?

THE WITNESS: Um-hm.

MR. COLUCCI: Can I see? I don't remember seeing this. When were we furnished with this, at the first conference, you think, Don?

[35] MR. PISACANO: The initial disclosure. Before the first conference.

MR. COLUCCI: Okay. If you furnished it to us fine I have it somewhere, I just don't right now.

MR. PISACANO: No, I have it. This way it's good for you to attach it if you want. That looks like the radio commercials, too.

MR. COLUCCI: Okay.

Q. How often do you advertise in the weekly shopper?

A. I have no set schedule. I may advertise twice in a month and then go a month without advertising at all.

Q. Do you advertise in any other newspapers, other publications? You mentioned some newspapers –

A. I have in the past, in – what's it called? In the local newspaper. The name is just – "News Enterprise".

Q. And how often have you advertised in the "News Enterprise"?

A. Once or twice.

Q. Once or twice since you've been in business?

[36] A. Yes.

Q. All right. And you said you also advertise on the radio, and I think we've been furnished with scripts; how often do you advertise on the radio?

A. A couple of times since we've opened. It's just too expensive.

Q. Now, one of the commercial scripts that we were furnished, or was given to us at the initial disclosure conference, was one for WRZI, WKMO, WIEL is that the radio station; one of those?

A. One of those, yes.

Q. Okay. All right. And the document that I'm looking at is – just, again, for the record was Bates stamp D 10 – let's take a look at it, it says at the top client

Victor's Secret, and then if you read the copy you'll see some handwriting, and where little has been inserted?

A. Um-hm.

Q. All right. Now, did you initially advertise on the radio as Victor's Secret?

A. This was done when we first opened the store. And before this hit the air, after I had spoke with Matt Lombard, we changed it to Victor's [37] Little Secret before it hit the air.

Q. Okay. So it never ran as Victor's Secret?

A. No, sir.

MR. COLUCCI: Okay. Thank you. Could we just mark this as exhibit – do you mind if I mark this? We'll make a copy of it.

MR. PISACANO: Yeah, make a copy of it

(REPORTER'S NOTE: PLAINTIFF'S EXHIBIT NO. 5 – RADIO ADVERTISEMENT SCRIPT – WAS MARKED FOR IDENTIFICATION)

Q. So is it fair to say that you don't have any contracts, advertising contracts with any of the newspapers or radio stations to advertise on a continuing basis, is that correct?

A. I have none with anyone.

Q. Okay. And does that pretty much cover the extent of the advertising you've done outside of the shop?

A. Excluding business cards.

Q. Okay. Excluding the business cards, the "Weekly Shopper", "News Enterprise" and the radio commercials?

A. Yes.

[38] Q. Is that fair to say that that's the extent of the advertising?

A. Yes.

Q. To date?

A. To date.

Q. Do you have any plans to advertise in the future, or do you have any contracts with any newspaper or radio, TV?

A. I have no contracts, but, yes, I plan to advertise.

Q. Sure. I understand. Now, among the items that you indicate you do sell, you said lingerie, now is the lingerie branded lingerie, does it have a label in it that has a brand on it?

A. Yes.

Q. Do you know what brands of lingerie you carry?

A. Yes.

Q. Could you tell me some of them?

A. Minor Creations.

Q. Is it Manner, M-A-N –

A. Minor, M-I-N-O-R, Creations.

Q. – M-I?

A. N-O-R. M-I-N-O-R. –

Q. Okay.

[39] A. Creations.

Q. Any others?

A. Fantasy Lingerie. Some of the labels say Risque, which just comes from the same company of Shirley of Hollywood.

Q. Is that one – I thought I saw in one of the catalogs, correct?

A. Right. Yes. They are all the same company.

Q. All right. Any others that you can think of?

A. Ecstacy Leather. I believe that's it.

Q. All right. And I believe you also sell some hosiery, too?

A. Yes.

Q. And do they have brands, do you sell brand hosiery? Are they the same brands that you mentioned for the lingerie?

A. Not all.

Q. What different ones?

A. We have Air Hosiery, Shirley of Hollywood, Fantasy. I believe there's one more but I can't remember exactly what it is.

Q. Okay. And the T-shirts that you sell, do they have sew-in labels on them with brands, [40] like Hanes or –

A. Fruit of the Loom. And there may be some Hanes.

Q. They come to you screen printed already –

A. Yes.

Q. – or do you – and what type of jewelry do you sell? List it I'm not sure what it is?

A. Currently imported cheap jewelry.

Q. Is it adult or non-adult jewelry?

A. Non-adult.

Q. Now a lot of people are on the Internet these days, are you on the Internet?

A. Not at this time.

Q. And do you take all the regular credit cards?

A. MasterCharge, Visa, American Express and Discover.

Q. And the checks that you write, do they have the name of your shop on the checks printed on them?

A. Yes. They say Victor's Little Secret d/b/a – no Victor and Cathy Moseley d/b/a Victor's Little Secret.

[41] Q. Okay. And you keep your own accounting records, books and records of sales and things of that nature?

A. Yes.

Q. You don't have an outside accountant or bookkeeper?

A. No.

Q. You do your own filings with whatever state or whatever required for the company?

A. Yes.

Q. And do you have to pay up front for the merchandise that you sell, or is it sold to you on some sort of a consignment basis, or what's the arrangement with your suppliers? Or may differ?

A. They differ.

Q. Okay.

A. I have some items in on consignment, I have terms of net 30 on some companies. Some companies I get special – well, like right now I got special Christmas dating on some merchandise, which is approximately net 90. I have some C.O.D. cash. Well, company check, C.O.D. company check. But all of that has changed over the time we've been open.

[42] Q. Now, you recall receiving a letter from my office regarding the name Victor's Secret correct?

A. Correct.

MR. COLUCCI: Now let's mark for identification as Exhibit 6, copy of a letter from G. Matthew Lombard to Mr. Victor Moseley dated February 25, 1998.

(REPORTER'S NOTE: PLAINTIFF'S EXHIBIT NO. 6 – FEBRUARY 25, 1998 LETTER FROM MR. LOMBARD – WAS MARKED FOR IDENTIFICATION)

THE WITNESS: I've got a copy of it here.

Q. Do you recall receiving that letter from my office?

A. Yes, I do.

Q. At the time you received this letter on February 25, 1998, or thereabouts, were you using the name Victor's Secret?

A. Yes.

Q. And how were you using it at that time? This is in February of 1998.

A. That was the name we applied for to get our business license. And at that time we had [43] sent out letters to friends and relatives under that name to come visit the store. And that's about it.

Q. Okay. What I'm trying to find out because I think before you said that there wasn't any signage that had Victor's Secret on it, it's always been Victor's Little Secret, is that correct?

A. We had a banner that came in, but it was late coming in, also.

Q. Okay. But there was something at some time that just said Victor's Secret?

A. Yes.

Q. Okay. And what was that?

A. It was a banner.

Q. Was it draped over the front of the store before your sign came, is that – is that correct?

A. It was put up on the front of the store with metal screws.

Q. Okay. And that was the only thing you had that had Victor's Secret on it?

A. My register was programmed for Victor's Secret and my charge machine was Victor's Secret.

[44] Q. Okay.

A. And my business license was Victor's Secret.

Q. But in terms of the ordinary consuming public, all they would have seen at this time would have been the name over the front of the store?

A. Yes.

Q. There was no advertising or anything like that nature?

A. Other than the letters we had sent out and the ad that we were getting ready to run in the – I believe the ad in the "News Enterprise" went out under Victor's Secret. I can't remember without seeing it.

Q. Okay.

A. It's in the – in the file you have.

Q. Now the letters, you said you sent them to – who did you send them to?

A. Just friends and relatives. That was for our grand opening February 7th.

Q. Do you have a sample of that letter?

A. It's in your file there.

Q. Now after you received this letter from my office my understanding is that you then [45] changed to Victoria's – I'm sorry, Victor's Little Secret, is that correct?

A. After discussing it with Matt, Yes.

Q. Okay. And what did you have to do to change from Victor's Secret to Victor's Little Secret; explain that to me?

A. We changed – went to the bank, we changed the name of the account at the bank, we contacted the sign company that was working on our sign and redid all of that. We contacted everybody that we had ads going out with, the radio station, I can't remember who all the ads were with, and had them change it. We contacted – I believe we had to call Frankfort to change – change it on our business license. Um, to be honest, I can't remember everything else we did.

Q. Okay.

A. We called all of our accounts and changed the people we dealt with, our vendors and suppliers, also.

Q. And who designed the little, I guess it's the finger over the lips logo that's in the center of Victor's Secret?

A. Actually I did.

[46] Q. You did. Okay. And apart from inserting that between the name Victor's and Secret, was anything else done with respect to the sign, as it was originally ordered from the sign company?

A. The lips and the hand were going to be a part of that anyhow.

Q. I see.

A. We added the word "little".

Q. I see. Okay. So the sign, as you originally ordered it from the sign company, was going to say Victor's and

then it was going to have the lips and the finger over the lips, and the words "Secret", correct? And what you did was just put the word "little" over the –

A. No. Actually, it was going to be "Victor's" with the hand and stuff in the middle and "Secret" on the bottom.

Q. Okay. So you didn't add the – you didn't add the lips and the finger over the lips, it was just the little word – the word "little", is that correct?

A. Correct.

Q. Was there an extra charge involved in your changing the sign from when you'd ordered it [47] originally from the sign maker to what eventually became the current sign?

A. No.

Q. I mean, he hadn't started on it, right?

A. Right.

Q. Okay. So you didn't incur any additional expense as a result of that?

A. Exactly.

Q. And changing your business licenses, was that just done by phone, or how was it done?

A. Phone and fax.

Q. Okay. And then I see the radio commercial had originally been scheduled to go on saying Victor's Secret and you changed that to Victor's Little Secret, correct?

A. Correct.

Q. But the commercial had never aired as Victoria's Secret – uh, Victor's Secret?

A. I can't remember if one had aired or not. I believe one had aired before I caught it and had them change it.

Q. Did you incur any additional costs or expenses as a result of making this change?

A. No.

[48] Q. With respect to the radio commercial?

A. No.

Q. And you didn't have any business cards printed up at the time, correct; so you didn't have to change any business cards?

A. Correct.

Q. And the register – changing the name on the register, what did that involve?

A. Re-programming.

Q. And you said also you had to change your name for the credit card companies?

A. Yes.

Q. What did that involve?

A. Re-programming.

MR. COLUCCI: I'd like to mark as Exhibit 7 for identification a letter dated March 20, 1998 from my office to Mr. Moseley

(REPORTER'S NOTE: PLAINTIFF'S EXHIBIT NO. 7 – MARCH 20, 1998 LETTER FROM MR. COLUCCI TO MR. MOSELEY – WAS MARKED FOR IDENTIFICATION)

Q. Mr. Moseley, do you remember receiving this letter from my office on or about March 20th, 1998?

[49] A. Yes.

Q. Did you respond to this letter?

A. Yes.

Q. How did you respond? Did you respond in writing or did you respond orally?

A. I responded by phone.

Q. And what was your response?

A. I called Matt Lombard – I believe it was Matt – and I told him it was bull and that I wasn't going to send them anything.

Q. Okay. That was the extent of your conversation with Mr. Lombard?

A. Over this letter?

Q. Yes.

A. Correct.

Q. Okay.

A. The nicer part of it.

Q. Now, in your answers to the interrogatory – actually number 12 on page 6 – we asked for the total dollar amount that you spent to date on advertising and

promotion. And the answer was approximately $2,364.17 is that accurate?

A. It would be real close.

Q. Okay. And does that include the [50] advertisements in "Weekly Shopper" as well as the radio commercial?

A. That would be all advertising: Business Cards, everything included.

Q. Okay. Now, if you'd look at page 7 of the responses to interrogatory number 17, who is Brian Walker? Says radio DJ?

A. Brian Walker is the DJ for the radio station that we advertised with.

Q. The station that was?

A. 101.5. Star 101.5.

Q. And have you spoken to Mr. Walker about this lawsuit?

A. He's aware of the lawsuit, because of being in the newspaper and so forth.

Q. And have you asked him to testify in this case if it goes to trial?

A. Yes.

Q. And has he agreed to do so?

A. Yes.

Q. Now, there's a reference to Chuck Carey and his wife, and the name Fusion Technologies, Inc., who are they?

A. They are just a customer that came into our store.

[51] Q. You don't have any business relationship with them?

A. No.

Q. Other than they are customers?

A. Exactly.

Q. And have they agreed to be witnesses in this case if it goes to trial?

A. Yes.

Q. Okay. Now if you'd look at pages 4 and 5 of your answers to interrogatory number 9. We talked about some of the names that were considered by you but obviously not chosen. When did this process occur, if you can recall, approximately, when you were thinking of the name for the shop? When did it begin and when did it end?

A. It began approximately three weeks before February 7th, when we decided to open a store, and it ended about a week before February 7th, when we opened the store.

Q. So took you approximately two weeks to come up with the name?

A. Yes.

Q. Now, do you recall who suggested these various names that are on the top of page 5?

[52] A. Honestly, I don't know whether – well, I don't know whether I came up with some of them, which ones who came up with, between me and my wife.

Q. All right.

A. As we were buying fixtures, running around hunting and everything else we just tossed names back and forth all the time.

Q. Did you try out any of these names on family or friends when you were – when you were thinking of a name for the shop?

A. No.

Q. And who thought of the name Victor's Secret; was it you or Mrs. Moseley?

A. I believe it was me.

Q. Was that one of the first names that you were considering, or was it like the last name and that was it?

A. I can't remember where it came in at. There was a ton of names. I mean this – the names that are there are not near all the names that we covered, and I just can't remember every name. I mean we had funny names and – just a long line of names.

Q. Were all these names off the top of [53] your heads, or were they – did you look at books, or did you look anywhere to get ideas, or –

A. Off the top of our head. Let's take a few minute break, if you don't mind.

MR. COLUCCI: Sure.

(REPORTER'S NOTE: AT THIS POINT A SHORT BREAK WAS TAKEN)

Q. Now, if you'll look at page 6 of your answers to interrogatory. In interrogatory number 13 we asked you to describe the circumstances and date on which you first learned about or first became aware of Victoria's Secret, and you have two parts to your answer: The first part is that you – first time you saw a commercial or catalog was this year, that is, when you signed this – in 1998 some time?

A. Yes.

Q. How was it that you happened to see a commercial or catalog?

A. Well, I seen the commercial on television, and that's the first time I'm aware of that Victoria's Secret has advertised on television; that's the first time I've seen that [54] commercial.

Q. Okay.

A. As far as the catalog goes, the first time I seen a Victoria's Secret catalog was after the response with Matt Lombard. He sent me a copy – he had faxed me a copy of their logo and everything, and then we called and requested a catalog.

Q. Okay. Now, can you describe the commercial that you saw? Do you remember what it was advertising?

A. Bras, I believe.

Q. Okay. Do you remember what brand, or –

A. No.

Q. And was this after you had opened your shop and named it Victor's Secret that you saw the commercial or was it before you opened your shop and you saw the commercial?

A. I believe it was after.

Q. And how long did you say you had been in retailing?

A. Approximately 15, 17 years.

Q. And you never heard of Victoria's Secret before that?

[55] A. No. I heard of them, that's in my answer, but I had never seen their catalog or commercial –

Q. Okay.

A. – up until this year.

Q. Okay. So when you say but somewhere through the years we had heard of it, you were aware of Victoria's Secret?

A. Yes.

Q. And did you know that they sold lingerie and intimate apparel?

A. Yes.

Q. How did you know that?

A. Just from general conversations with different people.

Q. Okay. But you never saw a commercial up until this year, correct?

A. Yes.

Q. And you never saw a catalog up until this year?

A. Yes.

Q. Have you ever been to a Victoria's Secret store?

A. No.

Q. Have you ever seen a Victoria's Secret [56] store?

A. No.

Q. So how had you heard of – you hear of Victoria's Secret?

A. Victoria's Secret, people have talked about it.

Q. Like who, like friends, relatives, or –

A. Friends, relatives, just general people, as everybody.

Q. Did you think, when you heard that, that that was close to the name Victor's Secret?

A. No.

Q. Did you believe, when you received the first letter from our office in February, that there was a reasonable basis for Victoria's Secret's concern about your use of Victor's Secret?

A. My personal belief, Victor and Victoria are two total different names. And to avoid any conflict or any confrontation or any problems we decided to split it up and make sure. That's why I had Matt fax us the letter – the - their logo and everything, to make sure we were totally different from them.

[57] Q. Okay. Now, one of the other names that you were thinking about, if you look at page 5 of your interrogatories, was – and this was answer to interrogatory 9 – you mention Adult Toys Are Us.

A. It was a joke.

Q Okay. I see.

A. So was Bump and Ugly.

Q. You are aware that there's a company that operates a chain Toys –

A. Toys are us, correct.

MR. PISACANO: Let him ask his question before you answer.

THE WITNESS: Okay.

Q. And I take it you've had no exposure or experiences involving company names or trademarks in all the time that you've been in the retailing business?

A. No.

Q. And no one's ever suggested to you in any way that your name was close to Victoria's Secret?

A. What do you mean? And how do you mean it?

Q. Well, any one of your customers ever [58] come in and kidded you about the fact that your name was similar to Victoria's Secret, or refer to Victoria's Secret in a conversation with you? Without reference to this lawsuit?

A. I've taken a lot of ribbing over the lawsuit.

Q. Okay. I understand that. But leave the lawsuit out of it. But has anybody, before the lawsuit was filed, actually indicated to you it sounds like Victoria's Secret or was close to Victoria's Secret?

A. If it has it was in – yeah, I would say yes.

Q. In jest, or in what way?

A. In jest.

Q. Has that happened frequently?

A. No.

MR. COLUCCI: Okay. I don't have any further questions. Thank you very much. Maybe Mr. Pisacano will have some questions for you.

[59] EXAMINATION

BY MR. PISACANO:

Q. Would you describe what you're wearing today?

A. Bluejeans, tennis shoes, T-shirt, and just a cover shirt.

Q. Do you have socks on?

A. Yes.

Q. What color are they?

A. White.

Q. Is that normally what you wear when you work in your store?

A. Yes.

MR. PISACANO: That's all I have.

MR. COLUCCI: No further questions. Thank you very much, Mr. Moseley.

WITNESS EXCUSED

* * *

UNITED STATES DISTRICT COURT

WESTERN DISTRICT OF KENTUCKY

AT LOUISVILLE

V SECRET CATALOGUE, INC., VICTORIA'S SECRET STORES, INC. and VICTORIA'S SECRET CATALOGUE, INC. Plaintiffs	)	NO. 3:~~09~~-CV-395-S 98
VS.	)	(Filed Nov. 18, 1998)
VICTOR MOSELEY and CATHY MOSELEY d/b/a VICTOR'S LITTLE SECRET (formerly VICTOR'S SECRET) Defendants	)	

THE DEPOSITION OF CATHY MOSELEY

TAKEN BY THE PLAINTIFF

Elizabethtown, Kentucky

October 29th, 1998

TRIELOFF COURT REPORTING
Carl R. Trieloff
120 East Memorial Drive
Elizabethtown, KY 42701 (502) 737-2028

* * *

[6] Q. Now, do you remember how the name Victor's Secret came about?

A. Like my husband said, we just tossed names back and forth; that's one that popped up that fit the store.

Q. Now, do you remember whether it was you or he who came up with the name Victor's Secret? His testimony he said he did?

A. I think – I think he did.

Q. And when that name popped up did it signify to you or suggest to you any connection or association with Victoria's Secret?

A. No.

Q. You didn't think of Victoria's Secret when he mentioned Victor's Secret, if that's the way it happened?

A. No. Okay, um, because we weren't thinking along those lines.

Q. Now, I mean, you shop, don't you? Most women do.

A. Um-hm.

Q. And aren't you familiar with Victoria's Secret?

A. All honesty, I have only been in [7] Victoria's Secret once, and that was maybe five years ago. And it was kind of in one door and out the other.

Q. Okay. But you're familiar with the company?

A. I've heard of it.

Q. Correct. I mean, and when the name Victor's Secret came up didn't you say to him well, there's Victoria's Secret?

A. Not that I can recall.

Q. And you've never seen, prior to that name coming up, you never saw a Victoria's Secret catalog?

A. (Shaking head negatively).

MR. PISACANO: You need to –

A. Honestly, no.

Q. You don't have any friends that get these catalogs?

A. No. Um, maybe I've lived a sheltered life. I was the in-home housewife. I honestly did not get out a lot. No, I have never seen the catalog.

Q. Catalogs come to your home?

A. They didn't to mine.

Q. Okay. But you didn't have friends or [8] any one you knew that received the Victoria's Secret catalog?

A. In all honesty, not that I know of.

Q. And do you watch television?

A. Yes.

Q. You never saw a Victoria's Secret commercial before you selected this name?

A. No. In all honesty, this year is the first time I've ever seen a Victoria's Secret commercial on TV.

Q. Where do you shop? I mean, do you go to shopping malls, or –

A. Wal-Mart.

Q. Wal-Mart? Do you go down to Louisville to shop?

A. No.

Q. Where was the Victoria's Secret store that you said you were in five years ago; where was that located?

A. In Louisville. I was visiting my mom and we were going shopping and she said "oh, let's go through here".

Q. And do you read magazines?

A. Not that often.

Q. You never seen an advertisement in any [9] magazine for Victoria's Secret?

A. I might have in a magazine, you know, where subconsciously it stayed in the head, but don't focus on it.

Q. Do you read magazines like "Cosmopolitan"?

A. No.

Q. What magazines do you read?

A. "Readers Digest", sometimes "Better Homes and Gardens".

Q. Okay. Do you have any favorite TV programs that you watch?

A. Right now, no.

Q. Have you ever seen the TV program Veronica's Closet?

A. I think I might have watched it once.

Q. And what newspapers do you read?

A. The local.

Q. And you've never seen any advertisements in any local newspapers for Victoria's Secret merchandise?

A. Not that I can recall.

* * *

UNITED STATES DISTRICT COURT

FOR THE WESTERN DISTRICT OF KENTUCKY

V SECRET CATALOGUE, INC., VICTORIA'S SECRET STORES, INC. and VICTORIA'S SECRET CATALOGUE, INC. — PLAINTIFFS

vs. — NO. 3:98 CV-395-S

VICTOR MOSELEY and CATHY MOSELEY d/b/a VICTOR'S LITTLE SECRET (formerly VICTOR'S SECRET) — DEFENDANTS

DEFENDANTS ANSWERS TO PLAINTIFFS' FIRST SET OF INTERROGATORIES TO DEFENDANT

(Filed Nov. 2, 1998)

Defendants Victor Moseley and Cathy Moseley, hereinafter "Defendant", and for their Answers to Plaintiffs' First Set of Interrogatories, state as follows:

INTERROGATORIES

INTERROGATORY NO. 1

Identify the names and addresses of all businesses, other than Victor's Secret or Victor's Little Secret, which defendants own, either individually or jointly, or in which they have any controlling interest, and identify all documents referring or relating to such businesses.

ANSWER: Eastview Enterprises, (502) 862-9369 and De Best Paging, (502) 862-9369

INTERROGATORY NO. 2

Identify the goods and/or services on or in connection with which defendants have at any time used the name VICTOR'S SECRET and/or VICTOR'S LITTLE SECRET and/or any variation thereof, and identify all documents referring or relating thereto.

ANSWER: Defendants sell novelty action clocks, patches, temporary tattoos, stuffed animals, coffee mugs, leather biker wallets, zippo lighters, diet formula, diet supplements, jigsaw puzzles, whyss, handcufs [sic], hosiery bubble machines, greeting cards, calendars, incense burners, car air fresheners, sunglasses, ball caps, jewelry, candles, lava lamps, blacklights, fiber optic lights, rock and roll prints, lingerie, pagers, candy, adult video tapes, adult novelties, t-shirts, etc.

INTERROGATORY NO. 3

Describe the circumstances surrounding defendants' decision to adopt the names VICTOR'S SECRET and/or VICTOR'S LITTLE SECRET and/or any variation thereof, and identify all documents referring or relating thereto.

ANSWER: After deciding to open a store, we kept tossing names back and forth between us and somewhere in that process came the name Victor's Secret. About two weeks or so after we opened, I was contacted by mail from Matt Lombard about our name Victor's Secret. After discussing a name change to avoid any confrontation, I requested Matt to fax me a copy of their logo and trade name as I had never seen a Victoria's Secret catalog or been in one of their stores. After receiving the information,

we thought about changing the name to Victor's Precious Secrets which Matt felt would be fine because it now had another word in it. We later came up with the name Victor's Little Secret because of our adult novelty and gift room, which fit, and again Matt felt this would be satisfactory. Then we received a second letter from Victoria Secret's attorney dated March 20, 1998 with demands that I furnish photographs in order for them to consider my name acceptable. I felt I had gone far enough. I changed the name once, and made sure my sign and logo looked nothing like theirs.

INTERROGATORY NO. 4

Set forth the date(s) on which defendants first used the name VICTOR'S SECRET and/or VICTOR'S LITTLE SECRET on or in connection with any goods and services, specifying each item of goods and describing each service rendered and the dates of first use thereof, and identify all documents referring or relating thereto.

ANSWER: On or around 1/26/98.

INTERROGATORY NO. 5

State in detail whether any investigation has been conducted by defendants, or anyone on behalf of the defendants, concerning plaintiffs, describe each such investigation, the date(s) conducted, and identify all documents referring or relating thereto.

ANSWER: We have no knowledge of any investigation.

INTERROGATORY NO. 6

State whether any trademark, trade name or corporate name search was conducted by defendants, or anyone on behalf of defendants' prior to defendants' adoption and use of the name VICTOR'S SECRET and/or VICTOR'S LITTLE SECRET, and identify all documents referring or relating thereto.

ANSWER: We checked at the Hardin County Clerk's Office and no names close were recorded.

INTERROGATORY NO. 7

Identify all persons who were involved in, or participated in defendants' decision to adopt and use the names VICTOR'S SECRET and VICTOR'S LITTLE SECRET, and identify all documents referring or relating thereto.

ANSWER: Victor and Cathy Moseley. None.

INTERROGATORY NO. 8

Identify all persons, including, but not limited to, experts and attorneys, who were consulted, employed or retained by defendants and who provided defendants with any opinions or advice regarding defendants' adoption and use of the names VICTOR'S SECRET and/or VICTOR'S LITTLE SECRET, and identify all documents referring or relating thereto.

ANSWER: None.

INTERROGATORY NO. 9

Identify any other names which were considered by defendants, or by others on behalf of the defendants, and rejected, during the process which resulted in the decision by defendants to adopt and use the name VICTOR'S SECRET and VICTOR'S LITTLE SECRET.

ANSWER: Pristine Pleasures, Romantic Encounters, Adult Toys Are Us, Secret Pleasures, Secret Moments, Bumpin Ugly and probably hundreds more we can't remember. No one else was involved in our name choice, [sic]

INTERROGATORY NO. 10

Identify each person employed by defendants and any outside agency which has been or is now responsible for:

(i) Marketing;

(i) Advertising and promotion; and

(iii) Bookkeeping and accounting;

with respect to the business of VICTOR'S SECRET and/or VICTOR'S LITTLE SECRET and identify any and all documents referring or relating thereto.

ANSWER: None.

INTERROGATORY NO. 11

Identify all commercials, advertisements, brochures, catalogs and promotional materials, Internet web site(s) and/or other media advertising in which the names VICTOR'S SECRET and/or VICTOR'S LITTLE SECRET appear(s), whether released or aired or proposed to be released or aired, and which were prepared by or for

defendants, and identify all documents referring or relating thereto.

ANSWER: These documents will be produced in a separate document production request.

INTERROGATORY NO. 12

Set forth for each calendar year from the date of first use of the name VICTOR'S SECRET and/or VICTOR'S LITTLE SECRET, the total dollar amounts defendants have expended to date on advertising and promotion, and identify any and all documents referring or relating thereto.

ANSWER: Approximately $2,364.17 to date.

INTERROGATORY NO. 13

Describe the circumstances and date on which defendants first learned about or first became aware of VICTORIA'S SECRET.

ANSWER: The first time we ever saw a commercial or catalog was this year, but somewhere through the years we had heard of it.

INTERROGATORY NO. 14

Describe any and all instances in which any person or persons has/have commented on the association or connection between the names VICTOR'S SECRET and/or VICTOR'S LITTLE SECRET and VICTORIA'S SECRET, and identify each such person or persons, all persons having knowledge of, and/or directly or indirectly involved

in, any such instances, and all documents referring or relating thereto.

ANSWER: None.

INTERROGATORY NO. 15

Identify any objection, cease and desist letter or lawsuit alleging trademark, patent or copyright infringement made by any third party(ies) against defendants at any time, and identify any and all documents referring or relating thereto.

ANSWER: None.

INTERROGATORY NO. 16

Identify all persons defendants expect to call as expert witnesses at trial and, for each, state the subject matter on which each expert is expected to testify, and the substance of the facts and opinions to which each expert is expected to testify.

ANSWER: None at this time.

INTERROGATORY NO. 17

Identify all persons defendants expect to call as non-expert witnesses at trial and state each person's occupation, residence address and relationship to defendants and the subject matter on which each such witness is expected to testify.

ANSWER: Brian Walker, Radio D.J. and Program Director, Basix Communications, P. O. Box L, 406 South Mulberry, Elizabethtown, Kentucky 42701. Mr. Walker

was never confused with advertising; Chuck Carey and his wife, Fusion Technologies Inc., 2660 Stovall Road, Lebanon Jet, Kentucky 40150-9532. They were never confused and his wife had actually been a customer of Victoria's Secret.

INTERROGATORY NO. 18

Identify each person who participated in the preparation of defendants' responses to the foregoing interrogatories, specifying the interrogatory number to which each such person participated and who furnished any information in response thereto.

ANSWER: Victor Moseley and Cathy Moseley answered the questions together.

INTERROGATORY NO. 19

If the information furnished in response to the above Interrogatories 1 through 18 is not within the personal knowledge of the person answering the interrogatory, separately identify with respect to each interrogatory and subpart thereto each person to whom the information is a matter of personal knowledge.

ANSWER: Not applicable.

Respectfully submitted,

DON A. PISACANO
STITES & HARBISON
250 West Main Street, Suite 2300
Lexington, Kentucky 40507
Telephone: (606) 226-2300

and

JOHN E. SPAINHOUR
GIVHAN & SPAINHOUR
Doctors Alley & 3rd Street
P. O. Box 65
Shepherdsville, Kentucky 40165
Telephone: (502) 543-2218
COUNSEL FOR DEFENDANTS

I have hereby sworn to, under oath, that the information I have given in this document, is true and correct to the best of my knowledge and belief.

/s/ Victor D. Moseley
VICTOR MOSELEY

I have hereby sworn to, under oath, that the information I have given in this document, is true and correct to the best of my knowledge and belief.

/s/ Cathy Moseley
CATHY MOSELEY

STATE OF KENTUCKY)
COUNTY OF Hardin)

Subscribed and sworn to before me by Victor Moseley on this the 29th day of October, 1998.

My commission expires: Aug 13, 2001

/s/ Carl R. Trieloff
NOTARY PUBLIC,
STATE AT LARGE

STATE OF KENTUCKY)
COUNTY OF Hardin)

Subscribed and sworn to before me by Cathy Moseley on this the 29th day of October, 1998.

My commission expires: Aug 13, 2001

/s/ Carl R. Trieloff
NOTARY PUBLIC,
STATE AT LARGE

CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing has been served by first class U.S. Mail upon the following, on this the 29th day of October, 1998:

Redford H. Coleman, Esq.
2907 Ring Road
P. 0. Box 4030
Elizabethtown, Kentucky 42702

Frank J. Colucci, Esq.
Courtney W. Monahan, Esq.
W. Brant Mossop, Esq.
G. Mathew Lombard, Esq.
Colucci and Umans
670 White Plains Road
Scarsdale, NY 10583

/s/ Don Pisacano
COUNSEL FOR DEFENDANTS

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF KENTUCKY

V Secret Catalogue, Inc.; Victoria's Secret Stores, Inc.; and Victoria's Secret Catalogue, Inc.,	:	Case No. 3:98 CV-395-S
Plaintiffs,	:	
v.	:	
Victor Moseley and Cathy Moseley, dba Victor's Little Secret (formerly Victor's Secret),	:	
Defendants.	:	

DEPOSITION OF TIMOTHY B. LYONS

Taken at The Limited, Inc.
Three Limited Parkway
Columbus, OH 43230
December 8, 1998
9:37 o'clock a.m.

* * *

[4] CROSS-EXAMINATION

BY MR. PISACANO:

Q. Would you please state your full name, sir?

A. Timothy B. Lyons, L-Y-O-N-S.

Q. Mr. Lyons, what is your present employment?

A. I am employed by Limited Service Corporation as vice president of tax.

Q. Can you describe what your duties and responsibilities are in that position?

A. I oversee The Limited, Inc. tax department which is responsible for compliance, planning for income taxes and sales tax.

Q. Anything else?

A. In my responsibilities?

Q. Yes, sir.

A. General business consultation with my boss, I guess, would be the balance of it.

Q. Who's your boss?

[5] A. Ken Gilman, G-I-L-M-A-N.

Q. What's his position?

A. Vice chairman.

* * *

[15] Q. Do you have knowledge of any confusion that may have existed or does exist between the store, Victor's Little Secret, and his products and Victoria's Secret and its products?

A. I am not aware of any actual confusion that has arisen.

Q. Do you have any evidence of any likely confusion that has existed or may exist regarding the use of Vic Moseley's name of Victor's Little Secret and –

MR. COLUCCI: I object. I'm sorry.

Q. – and Victoria's Secret?

MR. COLUCCI: Object to the form of the question.

A. Could you read the questions? I'm a [16] little confused.

(Record read back as requested.)

A. I mean, evidence of likelihood, again, is just visually looking at it. But beyond that, any objective evidence, no.

Q. When you say visually looking at it, what do you mean by that? The name?

A. Yes.

Q. Anything else other than the name?

A. No. Well, I mean, the type of store. It sells similar products, so that's –

Q. Anything else?

A. No.

* * *

Q. Are you aware that Victor's Little Secret palmed off or passed off any merchandise, business, or service as that of Victoria's Secret?

A. Well, it seems to me that they sell [17] similar products, and the name can be confusing. I don't know whether you'd call that palming off, but it would seem to me that that would be the intent of using a name so similar and a similar type of product.

Q. So again, other than selling a similar product under that particular name, Victor's Little Secret, you don't have any other evidence that Victor's Little Secret has palmed off or passed off any of its merchandise, business, or service as that of Victoria's Secret?

A. I'm not aware of any, no.

* * *

[31] Q. You mentioned that it's your understanding that Victor's Little Secret sells products that are similar to Victoria's Secret's products. Specifically, what are those products?

A. My knowledge comes from the summary that Mr. Colucci prepared. It was lingerie and, I guess, sexually oriented devices.

Q. What else?

A. That's all I recall.

Q. So if I understand your testimony, then, you sell a similar product of sexually oriented devices?

A. No. Lingerie, as a generic term, is generally what Victoria's Secret Stores deals with. [32] And I'm relating that to a similar product to the lingerie that I've mentioned there. Part of the objection is, of course, not only trading on the name that we've worked so hard to build up

over the years, but also the association with products we don't want our name associated with.

Q. Okay. But specific to my question about what products Victoria's Secret markets and sells that is similar to the products sold by Victor's Little Secret, is there anything else other than lingerie?

A. Not that I recall.

Q. And when you use the term "lingerie," define that for me.

A. Ladies' undergarments, sleepwear.

Q. Anything else?

A. I don't think so.

Q. You mentioned sleepwear. You're talking about ladies' sleepwear?

A. Yes.

Q. Do you sell any male products, products used by men?

A. We have over time. I don't know what the current mix is now. I am aware that they sold men's [33] boxer shorts at one time, men's robes. I don't know if those are items currently for sale.

Q. Who in your companies would have knowledge of the specific products offered for sale by Victoria's Secret?

A. It would be representatives of Victoria's Secret Stores and Victoria's Secret Catalogue.

Q. Do you know who in those companies, what area?

A. No. I don't know who specifically, no.

Q. Okay. Other than the name and the sale of lingerie, are you aware of any other similarities between the marketing and the sale of goods of Victor's Little Secret with that of Victoria's Secret?

A. Other than the name and similarity of product, no.

Q. And when I say product, I mean specifically lingerie.

A. Lingerie.

Q. Your answer is no?

A. I'm not aware of any, no.

Q. Is it the company's position that Victor's Little Secret is in direct competition with [34] Victoria's Secret as to the sale of lingerie?

A. I mean, to the extent that there are identical products, perhaps you could say that. I'm not aware that the products are identical either in terms of type or quality or anything else.

Q. That was my next question. What do you know about the product that is sold by Vic Moseley in his store other than its lingerie?

A. That's all I know.

Q. Do you know where it came from?

A. No.

Q. Do you know its quality?

A. No.

Q. Do you know the brand names?

A. No.

Q. Do you know the prices?

A. No.

Q. So you wouldn't know whether they're more or less expensive than what's offered by Victoria's Secret?

A. I would not know that.

* * *

[39] Do you have any knowledge or evidence that Victor's Little Secret sold goods under the name or the label "Victoria's Secret"?

A. I am not aware that they did that.

Q. Are you aware of any circumstances where Victor's Little Secret counterfeited any types of goods to pass them off as Victoria's Secret goods?

A. I am not aware of such an instance.

Q. Do you have any knowledge that the owners of Victor's Little Secret knew about the existence [40] of Victoria's Secret?

A. I have no such knowledge.

Q. Do you have any knowledge that the owners of Victor's Little Secret knew the types of goods that Victoria's Secret sells or markets?

A. I have no such knowledge.

Q. Do you have any knowledge that the owners of Victor's Little Secret knew or actually saw one of your advertisements or read one of your catalogues before opening their shop?

A. I have no such knowledge.

Q. You may have answered this fully before, and if you have, feel free to tell me that you've answered it fully before. But what evidence do you rely on to establish the claim that Victor's Little Secret blurs or tarnishes or dilutes the distinctiveness of your mark?

A. Could you read the question, please?

(Record read back as requested.)

A. I guess, too, one is a subjective evidence. Just seeing it, hearing it, to me as a layperson, implies that there's a blurring.

Q. Can I interrupt you? When you say "it," are you speaking just of the name?

[41] A. Yes.

Q. Okay. What else?

A. And then relying on advice of trademark counsel that these are the kinds of things that we need to take action against to ensure that we've properly protected the Victoria's Secret trade name and trademark.

Q. Anything else?

A. No.

* * *

[43] Q. Have you performed any calculations as to the sales that Victoria's Secret has lost as a result of Victor's Little Secret opening its store?

A. I have made no such calculations, no.

Q. Are you aware of any such calculations being done?

A. No, I'm not aware of any.

Q. Okay. Do you know if there are any sales made by Victor's Little Secret that were the result of Victor's Little Secret infringing on Victoria's Secret?

A. No, I'm not aware of any.

Q. Do you know of any Victoria's Secret customer that spent money in Victor's Little Secret store while under the impression that he or she was purchasing something from the Victoria's Secret line?

[44] A. I am not aware of any person.

* * *

[45] Q. Part of your complaint alleges that there [46] are items at Vic Moseley's store that are sold at prices comparable to those of Victoria's Secret. Are you aware or do you have any knowledge specific to that allegation?

A. I do not have any knowledge.

Q. Do you have any knowledge as to whether Vic Moseley sells his goods to the same class of purchasers as Victoria's Secret does?

A. I have no such knowledge.

Q. Do you have any knowledge that supports the claim in your complaint that Vic Moseley has done something that is likely to cause the public to believe that his goods are authorized, sponsored, or approved by Victoria's Secret other than the use of the name "Victor's Little Secret"?

A. I am not aware that he has taken such action.

Q. Are you aware of any act committed by Vic Moseley or his representatives that he has committed t. would indicate that his store is affiliated or connected with Victoria's Secret other than the use of the name?

A. I am not aware of any such action.

Q. As part of your complaint, you allege [47] that Mr. Moseley has falsely designated the origin of some goods. Do you have any knowledge as to that allegation?

A. I have no knowledge of that allegation.

MR. COLUCCI: That's other than the use of the name?

MR. PISACANO: Yes. I'm sorry.

Q. Other than the use of the name. And I guess you need to answer that.

A. I'm sorry. No.

Q. Other than the use of the name, do you have any knowledge or information that Victor's Little Secret has falsely described its goods?

A. I have no knowledge of such description.

Q. Do you have any knowledge of any profits that Victor's Little Secret may have realized as a result of its infringement upon Victoria's Secret?

A. I have no such knowledge.

Q. Do you have any reason to believe that Victoria's Secret has lost any sales or profits as a result of the business of Victor's Little Secret?

A. I cannot say that they have lost any profits.

* * *

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF KENTUCKY

[Caption Omitted In Printing]

DEPOSITION OF JAMES J. McGINTY

Taken at The Limited, Inc.
Four Limited Parkway
Columbus, OH 43230
December 8, 1998
2:04 o'clock p.m.

* * *

[4] CROSS-EXAMINATION

BY MR. PISACANO:

Q. Would you state your full name, please?

A. Full name is James J. McGinty.

Q. Where are you employed, Mr. McGinty?

A. At Victoria's Secret Stores.

Q. What is your position?

A. Vice President and controller.

Q. What are your tasks and responsibilities in that position?

A. In the position, I'm responsible for all the accounting operations of Victoria's Secret, including inventory control, sales audit, accounts payable, payroll, shop control, as well as having the responsibility as legal liaison for the business.

Q. What is shop control?

A. It's the area that performs the goal setting tasks for the shop as well as management of shop expenses, budgeting, et cetera.

[5] Q. When you speak of shop, what are you speaking of? Each individual store?

A. Each individual store, right.

* * *

[24] Q. What do you know about the specific products that Mr. Moseley sells in his store?

A. Very little, other than there is some lingerie and that there are some adult products. I don't know any specifics beyond that.

Q. How did you come to learn that he sells lingerie?

A. I learned about the products from Frank's office.

[25] Q. Do you know the prices of the lingerie that Mr. Moseley sells?

A. No, I don't.

Q. Do you have any knowledge as to whether his prices are higher or lower than what Victoria's Secret charges for a similar product?

A. No knowledge.

Q. Do you have any knowledge about the quality of the goods that Mr. Moseley sells in the area of lingerie or intimate apparel?

A. I do not.

* * *

[35] Q. Who are your direct competitors to Victoria's Secret Stores?

A. Department stores, we typically consider competitors of Victoria's Secret Stores. There are other lingerie businesses out there; i.e., Frederick's of Hollywood would be competition.

Q. Any others?

A. None that come to mind.

Q. Okay. When you say the word "department stores," what department stores – obviously there are high end and low end department stores. What department stores are you speaking of?

A. What I'm typically referring to are the better department stores.

Q. As a non-shopper, tell me.

A. Bloomingdale's, Nordstrom's, Macy's, Sak's.

[36] Q. Okay. Do you believe that your customers think it's significant that they are purchasing a product from Victoria's Secret?

A. Yes, I do.

Q. How would you rate the quality of the goods you sell? And for purposes of this question, the goods that we mentioned earlier that you've asserted that Victor's Little Secret sells the same types of things.

A. Uh-huh.

Q. How would you compare the quality of your goods to these other department stores and Frederick's? Same quality, higher quality, lower quality?

A. I would say, for the most part, our goods would be higher quality than –

Q. Than the department store goods?

A. Than the department stores or Frederick's.

Q. Is it fair to say that your pricing is concomitant to – I won't even say that – higher as well?

A. Today, yes. Today. Historically, not necessarily. But the last couple of years, yes.

[37] Q. Does Victoria's Secret have a reputation for high quality goods?

A. Yes, they do.

Q. I may have asked you this before, but you don't know where Mr. Moseley obtains the goods that he sells in his store, correct?

A. That's correct.

Q. And you don't know whether they're higher or lower quality than yours, correct?

A. No, I don't.

* * *

[40] Q. Victoria's Secret has made a claim that Victor's Little Secret's actions blur, tarnish, or dilute the distinctiveness of your mark.

A. Uh-huh.

MR. COLUCCI: You have to answer audibly, Jim.

A. Was that a question?

Q. No, but I'm getting to it.

A. Okay.

Q. To what do you refer when you talk about distinctiveness? Is it only the name?

A. When we talk about distinctiveness, we talk about the name, the way it's presented, the way it's signed, the look in addition to the name.

Q. Is there anything else about Victor's Little Secret's business that applies to this allegation of blurring, tarnishing, or diluting, other than the way they portray the name and the name itself?

A. No. It's the portrayal and the name.

Q. And if I could elaborate on that, the portrayal of the name – and I think you talked a little bit about this before. It may have been your [41] predecessor deponent. Is it your contention that the lettering is the same or similar?

A. The contention is that the lettering is similar and when the term "little" was added to "Victor's Secret," I guess the font of the "little" was very tiny relative to the "Victor's" and "secret."

Q. You did say that before; didn't you?

A. Yes.

* * *

[42] Q. Have you calculated the sales that Victoria's Secret has lost as a result of Victor's Little Secret opening its store?

A. No, we have not.

Q. Do you know if there are any losses as a [43] result of Victor's Little Secret opening his store?

A. None that have been measured, anyway.

Q. Do you know if there are any sales made by Victor's Little Secret that were the result of Victor's Little Secret infringing upon Victoria's Secret?

A. I don't know that for a fact, no.

Q. Do you know of any Victoria's Secret customer that spent money in a Victor's Little Secret store while under the impression that he or she was purchasing a product from Victoria's Secret?

A. No. We've had no report of that.

Q. At some point, Victor's Secret in this lawsuit changed the name of the entity to Victor's Little Secret.

A. Uh-huh.

Q. Are you aware of that?

A. Yes, I am.

Q. What personal knowledge do you have of that?

A. My only knowledge is that they did it and – my understanding is that they did it in the hopes that that would be an acceptable solution.

Q. Was that change communicated to you?

[44] A. Yes, it was.

Q. Was that communicated to you by Mr. Colucci's firm?

A. Yes, it was.

Q. What was your response to the name change, if anything?

A. That that was not an acceptable solution.

Q. Did you convey any acceptable solution at that time?

A. The solution that we are looking for was a complete and distinct name change.

* * *

[50] Q. Do you have any specific evidence or information to support your claim that Vic Moseley, doing business as Victor's Little Secret, in opening his shop has eroded or blurred or tarnished the [51] distinctiveness of your trademark?

A. No specific knowledge.

* * *

Q. Forgive me. I may have asked you this. Do you have any knowledge of profits that Victor's Little Secret has realized as a result of its infringement against Victoria's Secret?

A. No, I have no knowledge. And no, you didn't ask me that one.

Q. Have you performed any calculations [52] regarding any profits that Victor's Little Secret may have realized as a result of this infringement?

A. No, I have not.

Q. Okay. Do you know of the existence of any calculations?

A. No, I do not.

Q. Do you have any reason to believe that Victor's Little Secret has realized profits as a result of infringing on Victoria's Secret?

A. Other than the fact that he is an ongoing business entity, no.

Q. Do you have any knowledge that Victor's Little Secret realized profits directly as a result of the infringement upon Victoria's Secret?

A. No, I don't.

Q. What specific monetary damages has Victoria's Secret suffered as a result of Mr. Moseley's opening of Victor's Little Secret in Elizabethtown?

A. I haven't calculated the monetary damages.

Q. Are you aware of any monetary damages today?

A. No, I am not.

* * *

IN THE UNITED STATES
PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK
TRIAL AND APPEAL BOARD

[Caption Omitted In Printing]

DEPOSITION OF JILL H. BERAUD

Taken at Victoria's
Secret Stores
Four Limited Parkway
Columbus, Ohio
December 14, 1998
1:05 o'clock p.m.

* * *

[4] [Q.] Would you give me your full name, please?

A. Jill Helene Beraud.

Q. What is your present position with – I'm going to start with The Limited.

A. Vice-president of marketing, Victoria's [5] Secret Stores.

Q. Do you have any involvement with – other than your position with Victoria's Secret Stores do you have any other involvement with The Limited or any of its subsidiaries?

A. Not really.

Q. What does the position of vice-president of marketing entail, what kind of responsibilities?

A. I'm responsible for managing the image and the brand for the stores, including responsibility for all advertising, in-store marketing, credit card marketing.

Q. What is credit card marketing?

A. We have a Victoria's Secret credit card. It's my responsibility to manage that program.

Q. Is that credit card, is that something that is used solely for purchasing with Victoria's Secret Stores?

A. And the catalogue.

* * *

[31] Q. Is there any – and I'll ask you this in an open question. I don't want to put words in your mouth, but is it your opinion that Victor's Little Secret's goods are in direct competition to Victoria's Secret goods?

A. They sell lingerie, right?

Q. I'm asking you.

A. If they sell lingerie, then they're competition.

Q. Anything else that you're aware of that Victor's Little Secret may be in a competitive area of which you're selling?

[32] A. No.

Q. Is the basis of your answer the advertisement that we talked about earlier?

A. That's where I saw that they sell lingerie, correct.

Q. Do you have any other knowledge other than the advertisement that this company sells lingerie?

A. No.

Q. Or intimate aapparel [sic]?

A. No.

Q. Do you know anything about the brand image of Victor's Little Secret?

A. No, other than they seem to be trading off our brand image.

Q. Do you know if they use any particular color schemes, logos, things of that nature in their presentation of their products?

A. The only thing I saw in the advertisement looked exactly like our logo.

MR. PISACANO: Frank, I'm sorry, can I see that ad again? Thanks.

Q. The advertisement you talked about that involved the company called Victor's Secret, since [33] that time Mr. Moseley has changed the name to Victor's Little Secret, have you seen his new logo or new sign design?

A. I haven't seen it. I've heard about it.

Q. What have you heard about it?

A. That the little is very little.

Q. What else have you heard about it?

A. That's all I've heard.

Q. Is it your impression – strike that. Who told you that?

A. Frank did.

Q. How did you learn that?

A. Frank told me.

Q. And with the exception of anything that your attorney may have told you did you find out from anybody else that the little was very little?

A. No.

Q. Do you know where it's located in the logo? Do you know what the present logo looks like?

A. That is the only thing I have seen.

Q. Do you have any knowledge of whether Victoria's Secret sale prices are similar to Victor's Little Secret sale prices?

[34] A. I have no knowledge of that at all.

Q. And I think you already testified you're not familiar with any other goods that may be similar other than the lingerie; correct?

A. Correct.

Q. You mentioned that your company sells a premium product. Is it fair to say that it's at the high end of quality?

A. Yes.

Q. Is it also at the high end of price?

A. Not the highest. There are plenty of other intimate apparel companies that have a higher price, but we're a premium brand with a premium price.

* * *

[39] Q. Do all the products that you sell in your stores have the Victoria's Secret brand name on them?

A. Yes.

Q. Do you sell anything that doesn't have the Victoria's Secret brand name on it?

A. No, no.

* * *

[40] Q. I'd like to talk to you a little bit about your customers, your target customers. How would you describe your average customer?

A. Our target customers are 18 to 35. Our average is roughly 26 years old. And it's generally somebody who likes intimate apparel, likes to spend money on fashion.

Q. Discriminating? Are they a very discriminating customer?

A. I don't know what you mean by discriminating.

Q. Would the normal customer going in to [41] Victoria's Secret deem it significant that it was a Victoria's Secret product that they were buying?

A. Oh, absolutely.

Q. That's sort of what I meant by discriminating. Are they sophisticated compared to the average U.S. customer?

A. Well, I can't comment on sophistication versus the average customer, but they come in – they're buying Victoria's Secret.

Q. How would you compare your typical customer with the typical customer at K-Mart?

A. I don't know K-Mart's customer.

Q. How about Target?

A. I don't know Target's customers.

Q. How about Sears?

A. I don't know the profile of any of these customers.

Q. How about Sachs Fifth Avenue?

A. Again, I only know what our customer's profile is. I don't know any of these other.

Q. You're not prepared to tell me whether or not you think a Victoria's Secret customer is more discriminating or more sophisticated than somebody who shops at K-Mart?

[42] A. I can give you my opinion.

Q. What would your opinion be?

A. I think they have a higher taste level, if that's what you mean.

* * *

Q. Do you have any knowledge of Victor's Little Secret selling goods under the name or label of Victoria's Secret?

A. Not to my knowledge.

Q. Do you have any knowledge of any acts committed by Victor's Little Secret's employees or representatives that in any way demonstrates that [43] Victor's Little

Secret was pawning off its goods as Victoria's Secret goods?

A. Only that ad.

Q. Anything else?

A. No.

Q. Do you have any knowledge of any acts committed by Victor's Little Secret employees or representatives that in any way demonstrates that Victor's Little Secret was counterfeiting Victoria's Secret goods?

A. Only this ad.

Q. Do you have any knowledge that the owners of Victor's Little Secret knew about the existence of Victoria's Secret?

A. I don't know how they couldn't have.

Q. Do you have any specific knowledge that they did?

A. No.

Q. Do you have any knowledge that the owners of Victor's Little Secret knew the types of goods that Victoria's Secret sells or markets?

A. I don't know how they could not have, but I don't know specifically anything about them or what they know.

[44] Q. Part of your complaint alleges that Victor's Little Secret through its actions blur or tarnish or dilute the distinctiveness of your trademark. What facts do you rely on to support that allegation that some act of Victor's

Little Secret either blurs, tarnishes or dilutes the distinctiveness of Victoria's Secret trademark?

A. The only fact I have is that ad.

* * *

[45] Q. Have you calculated the sales Victoria's Secret has lost as a result of Victor's Little Secret opening its door?

A. No.

Q. Are you aware of any such losses?

A. We haven't calculated it.

Q. So is the answer to that no?

A. There could be.

Q. Do you know if there are any losses?

A. I do not, no.

Q. Do you know if there are any sales made by Victor's Little Secret that were the result of Victor's Little Secret infringing on Victoria's Secret?

A. Anything that relates to that ad.

Q. Other than the ad?

[46] A. Anything that – I mean, their name is trading off our name. So I would say every sale that they make.

Q. Do you know of any Victoria's Secret customer that spent money in Victor's Little Secret store while under the impression he or she was purchasing something from Victoria's Secret?

A. No.

Q. I mentioned this earlier. At some point Vic Moseley changed the name of his store from Victor's Secret to Victor's Little Secret. Did you have any involvement in that name change or do you know anything about it at all?

A. I know it was done. I haven't been involved in it.

Q. One of the answers to your interrogatories that were provided indicates that you are an individual that has knowledge concerning the business of Victoria's Secret and also knowledge of the likelihood of confusion caused by Victor's Little Secret's use of an identical and/or confusingly similar mark?

A. Uh-huh.

Q. Do you have any knowledge of that [47] allegation other than what you've already testified to as to the name and the advertisement?

A. It's all based on the name and the advertisement.

Q. Do you sell lava lamps?

A. Excuse me?

Q. Do you sell lava lamps?

A. No.

Q. Do you sell incense burners?

A. No.

Q. Do you sell rock 'n roll posters?

A. No.

Q. Do you sell jewelry?

A. We have.

Q. What kind of jewelry did you sell?

A. All Victoria's Secret jewelry.

Q. Does it have the name on it?

A. It had initials. It was all signature items.

Q. But part of the allegations that you've made involve infringement upon distinctive features of Victoria's Secret. Other than what you've already testified to regarding the name that you saw on the advertisement, is there anything else that is [48] a distinctive feature of Victoria's Secret that you believe Victor's Little Secret infringes upon?

A. It's really the name, the logo and the product that they're selling.

Q. I may have asked you this. Do you have any knowledge of anything that Victor's Little Secret sells other than what you read in the name – excuse me, in the advertisement?

A. Only what's in the advertising.

Q. Part of the allegation is that Victor's Little Secret sells items at comparable prices to Victoria's Secret. Do you have any knowledge about that allegation?

A. I don't know their pricing.

Q. Part of the allegation is that Victor's Little Secret sells to a similar class of purchasers. Do you have any knowledge about that allegation?

A. I don't know who their customers are.

Q. Are you aware of any surveys or canvassing that has been done to determine what the class of customers are that go in to Victor's Little Secret?

A. No.

[49] Q. Other than what we already talked about can you – is there anything else about the class of purchaser which is a Victoria's Secret purchaser other than what we talked about

A. I didn't understand your question.

Q. Can you define – is there any more to what your knowledge is of the class of purchaser for Victoria's Secret other than what you've already talked about? Is there anything more to this class of purchaser that represents a Victoria's Secret purchaser other than what you've already talked about?

A. I've given you the essence.

Q. Can you think of anything else that you have not already stated?

A. No.

Q. What knowledge do you possess that supports the claim that Vic Moseley doing business as Victor's Little Secret has done something that is likely to cause the public to believe that his goods are authorized, sponsored or approved by Victoria's Secret?

A. Just that ad.

Q. Do you have any knowledge of any specific [50] acts committed by anyone at Victor's Little Secret that

would cause the public to believe that Victor's Little Secret is affiliated or connected with Victoria's Secrets?

A. Only that ad.

Q. What specific knowledge do you possess of any false designation of origins of goods sold by Victor's Little Secret?

A. I don't know anything about that other than that ad.

Q. What knowledge do you have or what information do you possess that Victor's Little Secret has falsely described its goods?

A. I only know that ad.

Q. Other than what you've already testified to regarding the advertisement do you have any other specific knowledge or information to support the claim that Vic Moseley in opening his shop has eroded or blurred or tarnished the distinctiveness of your trademark?

A. He's using our trademark. He's using our name. That's what I know.

Q. Do you have any knowledge of any profits that Victor's Little Secret has realized as a result [51] of its infringement upon Victoria's Secret?

A. Whatever profits they make is an infringement.

* * *

VICTOR'S LITTLE SECRET INVENTORY LIST

Candles: assorted cones, including black light sensitive & rainbow
Assorted large and small squares, including black light sensitive and rainbow
Assorted large and small cylinders, including black light sensitive and rainbow
Assorted large and small pyramids, including black light sensitive and rainbow
Assorted large and small aromatherapy candles
Assorted novelty candles:
- Wizards, skulls, mushroom
- Assorted novelty large and small fairies, crystal ball, explosive
- Assorted novelty aliens, birthday, horny little devil
- Assorted novelty smiley faces, pressed flower, intertwined Lovers

Black light sensitive paint (assorted colors)
Glow in the dark moon, stars, and planets (assorted sizes)
Candle lanterns
Gift bags
Doodle pads
Zippo lighters, including gift sets
Sunglasses
Assorted gift wrap
Assorted jewelry, including:
- Assorted sizes and colors captive bead rings
- Acrylic barbells (assorted colors & sizes)
- Glow in the dark barbells, circulars, beads, etc.
- Captive dice rings (assorted sizes and colors)
- Cat's eye rings (assorted sizes and colors)
- Niobium twist rings
- Niobium captive rings
- Surgical steel twist rings
- Belly knockers
- Helix rings
- Question marks

Sterling silver beads w/charms
14 ct. gold barbells, nose stones, captive beads, etc.
Assorted stone, Indian, and bangle chains
Assorted anklets, bracelets, bangles
U of L beer stein
Assorted patches with sayings and pictures
Assorted buttons with sayings
Dice
Dyetie, black light fabric hangings
Fitness gloves
Assorted cigarette cases
Assorted biker leather wallets with chains
Feathers
Animated action clocks
AA, AAA, C, D batteries
Blacklight lighters
Bullet lighters
Bullet Ky. rings
Aromatherapy mitts
Assorted bubble bath
Assorted bath/ shower gel
Assorted sterling silver rings – turtles with moveable parts, 2 piece puzzle rings, happy and sad mood – faces, moon & stars, various stones for ladies, men's abalone and silver
Assorted stone circle rings
Weaved rings
Pava dolphin and sterling silver rings
Semi-precious stone earrings
Assorted silver hoop earrings
Black onyx charm
Black hematite necklaces with charms
Men's Halloween G-strings
Zippo lighter fluid, flints, and wicks
Assorted stockings, seamed and unseamed
Assorted stuffed animals
Assorted ladies' robes
Assorted boas

Assorted shoes with 5" heels
Assorted thi-hi boots with 5" heels
Leather jackets
Leather chaps
Assorted Lycra one-size dresses
Assorted garter belts
Assorted men's thongs
Assorted men's briefs
Men's boxers
Women's thongs
Assorted gloves for ladies
Collar and cuff sets
Leather hats
Assorted baseball hats with messages
Assorted T-shirts with messages
Assorted leather outfits
Assorted dresses – long and short
Assorted lingerie, with plus sizes
Assorted cotton tops, shorts, long pants, gowns, chemises
Various types of lighting:
Various black light bulbs
Sunder balls
Small lava lights
Large lava lights
Assorted fiber optic flower lights
Mirrored party ball kits
Fountain fiber optic light
Assorted flashing traffic lights
Strobe lights
Fiber optic UFO
Disco lights
Assorted colors beacon lights
Laser lights with 18 preset patterns
Assorted bone boxes
Assorted horn boxes
Assorted romantic gift sets
Feather body dusters
Comedy phone tapes

Pharmacy:
- Chromium Herbal Formula 500
- Snore Away
- Golden Seal Root
- 357 Magnum
- Yohimbe Extract
- Panax ginseng extract with ginkgo biloba extract

Patchwork leather wallets
Leather snuff case
Assorted leather key chains
Assorted men's belt buckles
Cigarette cases
Disposable lighters
Assorted abalone, mother of pearl, and Peruvian earrings
Fantasy jigsaw puzzles – 500-1500 pieces
Assorted party games
Assorted windchimes
Incense burners, sticks, and cones
Assorted car air fresheners
Patchouli perfume oil
Relighting birthday candles
Soapstone boxes
Soapstone elephant incense
Assorted wood boxes
Assorted shot glasses
Assorted guy posters
Assorted rock and roll posters – hand drawn in pencil
Assorted coffee mugs with sayings

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF KENTUCKY
AT LOUISVILLE

V SECRET CATALOGUE, INC. VICTORIA'S SECRET STORES, INC. AND VICTORIA'S SECRET CATALOGUE, INC. PLAINTIFF	NO. 3:98 CV-395-S
v.	
VICTOR MOSELEY AND CATHY MOSELEY D/B/A VICTOR'S LITTLE SECRET (FORMERLY VICTOR'S SECRET) DEFENDANTS	**AFFIDAVIT OF VICTOR MOSELEY**

The Affiant, Victor Moseley, after being duly sworn, states as follows:

1. I am the owner of Victor's Little Secret.

2. The average customer base or market for Victor's Little Secret is 50% male/50% female.

3. The average age of my customers is 30-60 years old.

4. The number of sales of lingerie, hosiery, thongs, and high heel shoes is approximately 5% of the total number of sales on a given day. Approximately 30% of all sales of lingerie are in the "plus" sizes of 2X, 3X, and 4X.

5. I named the store Victor's Little Secret because at the time I was putting my plans together, I did not want

my ~~present~~ [previous /s/ VM] employer finding out. Second, it also represents the locked adult section of my store. That is now what Victor's Little Secret is.

Further the Affiant sayeth not.

/s/ Victor D. Moseley
VICTOR MOSELEY

STATE OF KENTUCKY
COUNTY OF HARDIN

Subscribed and sworn to before me this the 14 day of April, 1999, by Victor Moseley.

My commission expires: March 16, 2002

/s/ [Illegible]
NOTARY PUBLIC,
STATE OF KENTUCKY

JUL 24 2002

No. 01-1015

In The Supreme Court of the United States

VICTOR MOSELEY and CATHY MOSELEY,
d/b/a VICTOR'S LITTLE SECRET,

Petitioners,

v.

V SECRET CATALOGUE, INC.,
VICTORIA'S SECRET STORES, INC., and
VICTORIA'S SECRET DIRECT, LLC,

Respondents.

On Writ Of Certiorari
To The United States Court Of Appeals
For The Sixth Circuit

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Certiorari Granted April 15, 2002

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UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF KENTUCKY

- -x

V SECRET CATALOGUE, INC.
VICTORIA'S SECRET STORES, INC. and
VICTORIA'S SECRET CATALOGUE, INC.,

Plaintiffs,

v.

VICTOR MOSELEY and
CATHY MOSELEY
d/b/a VICTOR'S LITTLE SECRET
(formerly VICTOR'S SECRET),

Defendants.

Civil Action
No. 3:09cv-395-S
(Charles R. Simpson, C.J.)

- -x

AFFIDAVIT OF TIMOTHY B. LYONS

STATE OF OHIO)
: ss.:
COUNTY OF FRANKLIN)

TIMOTHY B. LYONS, being duly sworn, deposes and says:

1. Since 1983, I have been employed by Limited Service Corporation as Vice President, Tax. As such, I oversee The Limited, Inc.'s tax department, which is responsible for compliance, income taxes and sales tax. I also serve as Vice President and as a member of the Board of Directors of V Secret Catalogue, Inc., a plaintiff in this case. In my capacity as a Board member, I monitor the use of our trademarks and serve as legal liaison for V Secret Catalogue. I also serve as Secretary of the Board of Victoria's Secret Catalogue, Inc., also a plaintiff in

this case.

2. As a result of the above, I am fully familiar with the facts hereinafter set forth of my personal knowledge.

3. V Secret Catalogue, Inc. is the record owner of the VICTORIA'S SECRET Mark, which is registered in the United States Patent and Trademark Office, inter alia, as follows:

Registration No.	Issued	Goods
1,146, 199	1/20/81	Women's Lingerie in Class 25
1,179,309	11/24/81	Women's Lingerie and Underwear in Class 25; Retail Stores Services in Class 42
1,224,782	1/25/83	Cosmetics and Cleaning Preparations in Class 3.
1,908,042	8/1/95	Personal Care Products in Class 3; Candles in Class 4; Prerecorded Compact Discs and Audio Tapes featuring Music in Class 9; Mail Order Catalogs in Class 16; Picture Frames, Hand Mirrors and Pillows in Class 20; Perfumes in Class 21; Lingerie Bags in Class 22; Wash Cloths, Towels and Bedding in Class 24; Clothing in Class 25; Stuffed Toys in Class 28; and Retail Stores Services In Class 42.

True and accurate copies of said registrations are annexed hereto and incorporated herein by reference as Plaintiffs' Exhibits 1-4.

4. The aforesaid registrations are valid and in full

force and effect, and V Secret is the record owner thereof. Registration Nos. 1,146,199, 1,179,309 and 1,224,782 are also incontestable.

5. V Secret Catalogue, Inc. licenses plaintiff, Victoria's Secret Stores, Inc., to use the VICTORIA'S SECRET Mark on and in connection with the name of its retail stores and the merchandise which it offers for sale and sells in its VICTORIA'S SECRET stores throughout the United States.

6. V Secret Catalogue, Inc. also licenses plaintiff, Victoria's Secret Catalogue, LLC (formerly Victoria's Secret Catalogue, Inc.) to use the VICTORIA'S SECRET Mark on and in connection with the name of its catalog and the merchandise which it offers for sale and sells in its VICTORIA'S SECRET catalog which is distributed nationally as well as internationally.

(Hereinafter, plaintiffs, Victoria's Secret Stores, Inc., V Secret Catalogue, Inc. and Victoria's Secret Catalogue, LLC shall be collectively referred to as "Victoria's Secret").

7. Plaintiffs are related companies as that term is defined in or under Lanham Act §45, 15 U.S.C. 1127. They are all Delaware corporations and subsidiaries of Intimate Brands, Inc., also a Delaware corporation. Prior to Intimate Brands, Inc., plaintiffs and their predecessors were subsidiaries of The Limited, Inc., a Delaware corporation, headquartered in Columbus, Ohio.

8. Victoria's Secret reached over 1.5 billion people globally through print and electronic public relations efforts in 1997 alone.

9. According to a recent survey, VICTORIA'S SECRET is rated as the ninth most famous brand in the United States--the only retailer to be among the top ten. A copy of a Women's Wear Daily article discussing this survey is attached hereto and incorporated by reference herein as Plaintiffs' Exhibit 5.

10. Plaintiffs have been diligent in protecting their rights to the VICTORIA'S SECRET Mark. Defendants use of Victor's Secret, and later, Victor's Little Secret to sell low-quality lingerie, pornographic videos, various "sex toys" and other "adult" novelty items (color photocopies of which are annexed hereto and incorporated by reference herein as Plaintiffs' Exhibit 6) is an indisputable violation of our trademark rights. Any association between VICTORIA'S SECRET and defendants in the minds of consumers will seriously tarnish the image we have vigorously sought to uphold since 1982.

11. It is my understanding that, when devising the name "Victor's Secret" for its store, the Moseleys were aware of the existence of Victoria's Secret and the fact that it sells lingerie. (Victor Moseley Dep., p. 54, l. 24-25; p. 55, l. 1-15).

12. It is my further understanding that the Moseleys had also considered using the name "Adult Toys Are Us" to designate their store. (Victor Moseley Dep. at p. 57, l. 1-8).

13. Mr. Moseley also testified that, prior to the institution of this lawsuit, his customers remarked upon the similarity between the name of defendant's store and that of VICTORIA'S SECRET. (Victor Moseley Dep. at 58, l. 7-15).

14. In my opinion, there is absolutely no justification whatsoever for defendants to trade off on our famous VICTORIA'S SECRET Mark to sell its cheap, tawdry merchandise. Whether their distasteful store is called Victor's Secret or Victor's Little Secret, continued use of the name will irreparably injure and tarnish the image and reputation of the VICTORIA'S SECRET Mark as well as dilute its distinctiveness as a symbol of quality.

WHEREFORE, I respectfully request that this Court find that there is no genuine issue of fact regarding defendants' unauthorized use of our famous VICTORIA'S SECRET Mark to sell its goods, and that this Court find and hold that the use of the VICTORIA'S SECRET Mark by defendants violates our trademark rights, and should be enjoined.

Timothy B. Lyons

Sworn to before me this 30th day of April, 1999

Notary Public

NOTARIAL SEAL STATE OF OHIO

WENDY D. SECKMAN
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES DEC. 25, 2001

[Exhibit 1]

Int. Cl.: 25

Prior U.S. Cl.: 39

United States Patent and Trademark Office

Reg. No. 1,146,199
Registered Jan. 20, 1981

TRADEMARK
Principal Register

VICTORIA'S SECRET

Victoria's Secret (partnership)
1560 Waller St.
San Francisco, Calif. 94117

For: WOMEN'S LINGERIE. in CLASS 25 (U.S. Cl. 39).
First use Jun. 12, 1977; in commerce Jun. 12, 1977.

Ser. No. 159,253, filed Feb. 21, 1978.

J. H. WEBB, Primary Examiner

D64-001
exhibit 2

[Exhibit 2]

Int. Cls.: 25 and 42

Prior U.S. Cls.: 39 and 101

United States Patent and Trademark Office

Reg. No. 1,179,309
Registered Nov. 24, 1981

TRADEMARK
SERVICE MARK
Principal Register

Victoria's Secret (partnership)
115 Wisconsin St.
San Francisco, Calif. 94117

For: WOMEN'S LINGERIE AND UNDERWEAR, in CLASS 25 (U.S Cl. 39).
First use Jun. 12, 1977; in commerce Jun. 12, 1977.
For: RETAIL STORE SERVICES DEALING IN WOMEN'S LINGERIE AND UNDERGARMENTS, in CLASS 42 (U.S. Cl. 101).

First use Jun. 12, 1977; in commerce Jun. 12, 1977.

Ser. No. 255,771, filed Mar. 28, 1980.

DAVID C. REIHNER, Primary Examiner

STEVEN L. CATALANO, Examiner

[Exhibit 3]

Int. Cl.: 3

Prior U.S. Cl.: 52

United States Patent and Trademark Office

Reg. No. 1,224,782
Registered Jan. 25, 1983

TRADEMARK
Principal Register

Victoria's Secret, Inc. (California corporation)
115 Wisconsin St.
San Francisco, Calif. 94117

For: WASHING COMPOUND FOR USE WITH LINGERIE AND FINE WASHABLES, in CLASS 3 (U.S. Cl. 52).

First use Nov. 8, 1979; in commerce Jun. 22, 1981.

Ser. No. 325,206, filed Aug. 25, 1981.

EDWARD NELSON, Examining Attorney

[Exhibit 4]

Int. Cls.: 3, 4, 9, 16, 20, 21, 22, 24, 25, 28 and 42

Prior U.S. Cls.: 1, 2, 4, 5, 6, 13, 15, 22, 23, 29, 30, 32, 33, 36, 37, 38, 39, 40, 42, 50, 51, 52, 100 and 101

Reg. No. 1,908,042

United States Patent and Trademark Office

Registered Aug. 1, 1995

TRADEMARK
SERVICE MARK
PRINCIPAL REGISTER

VICTORIA'S SECRET

V SECRET CATALOGUE, INC. (DELAWARE CORPORATION)
1105 NORTH MARKET STREET
WILMINGTON, DE 19801

FOR: TOILET SOAPS, WASHING COMPOUNDS FOR USE WITH LINGERIE AND FINE WASHABLES, HAIR SHAMPOOS, SCENTED DRAWER SACHETS; PERSONAL FRAGRANCES, NAMELY COLOGNE, PERFUME, TOILET WATER, AND ESSENTIAL OILS FOR PERSONAL USE; BATH POWDER, NON-MEDICATED FOOT POWDER, AND BODY POWDER; AND PERSONAL CARE PREPARATIONS, NAMELY BATH, HAND AND BODY LOTIONS, IN CLASS 3 (U.S. CLS. 1, 4, 6, 50, 51 AND 52).

FIRST USE 6-12-1977; IN COMMERCE 6-12-1977.

FOR: CANDLES, IN CLASS 4 (U.S. CL. 15).

FIRST USE 6-12-1977; IN COMMERCE 6-12-1977.

FOR: PRERECORDED COMPACT DISCS AND AUDIO TAPES, BOTH FEATURING MUSIC, IN CLASS 9 (U.S. CL. 36).

FIRST USE 6-12-1977; IN COMMERCE 6-12-1977.

FOR: MAIL ORDER CATALOGS FEATURING CLOTHING, LINGERIE, AND TOILETRIES; BRIDAL GUEST BOOKS; CALENDARS, AND ADDRESS BOOKS, IN CLASS 16 (U.S. CLS. 2, 5, 22, 23, 29, 37, 38 AND 50).

FIRST USE 6-12-1977; IN COMMERCE 6-12-1977.

FOR: PICTURE FRAMES, HAND MIRRORS AND PILLOWS, IN CLASS 20 (U.S. CLS. 32 AND 50).

FIRST USE 6-12-1977; IN COMMERCE 6-12-1977.

FOR: PERFUME ATOMIZERS SOLD EMPTY; PERFUME BOTTLES SOLD EMPTY; NON-METAL DECORATIVE BOXES; HAIR COMBS AND HAIR BRUSHES; DECORATIVE TRAYS NOT OF PRECIOUS METAL; AND FLASKS SOLD EMPTY, IN CLASS 21 (U.S. CLS. 2, 13, 23, 29, 30, 33, 40 AND 50).

FIRST USE 6-12-1977; IN COMMERCE 6-12-1977.

FOR: MESH LINGERIE BAGS FOR WASHING LINGERIE AND CLOTH BAGS FOR LINGERIE STORAGE, IN CLASS 22 (U.S. CL. 2).

FIRST USE 6-12-1977; IN COMMERCE 6-12-1977.

FOR: WASH CLOTHS, TOWELS AND BEDDING, NAMELY COMFORTERS, PILLOW CASES, SHEETS, SHAMS, DUVETS, AND DUST RUFFLES, IN CLASS 24 (U.S. CL. 42).

FIRST USE 6-12-1977; IN COMMERCE 6-12-1977.

FOR: WOMEN'S AND MEN'S OUTERWEAR, UNDERWEAR AND NIGHTWEAR, NAMELY LINGERIE, ROBES, CAFTANS, KIMONOS, BOXER SHORTS, PAJAMAS, SHIRTS, PANTS, JEANS, DRESSES, SKIRTS, SWEATERS, JUMPSUITS, BODYSUITS, SWEATSHIRTS, JACKETS, T-SHIRTS, SCARVES, LEOTARDS, TIGHTS, SWIMSUITS, BEACH SHIRTS, HOSIERY, FOOTWEAR, IN CLASS 25 (U.S. CLS. 22 AND 39).

Citation
8/26/98 WOMENSWEAR 14
8/26/98 WWD 14
1998 WL 8775964

Search Result

Rank 1 of 1

Database
WOMENSWEAR

WWD
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SURVEY SAYS LOYALTY TO BRANDS IS FLEETING.

Jennifer Owens

WASHINGTON -- Consumers might say they're loyal to their favorite brand names, but according to a KSA/NPD Branding Report, retailers can't expect that faithfulness to last long.

That's because the biennial survey, which tracks responses to 180 female apparel brands, found that consumers' choice of the brands they would most likely repurchase has changed dramatically since they were last asked in 1996.

That year, Levi's topped the list. But while Levi's hung onto an eighth-place slot in 1998, it was one of only three brands to remain, including Hanes and Hanes Her Way. The new list places Tommy Hilfiger at top, followed in descending order by Hanes, **Victoria's Secret**, L.L. Bean, Eddie Bauer, Hanes Her Way, Timberland, Alfred Dunner, Dockers, Levi's and Nike.

According to the survey -- compiled by Kurt Salmon Associates, an international management consulting firm, and the NPD Group, a market research firm based in Port Washington, N.Y. -- overall loyalty to brands declined slightly in 1998. Despite the decline, though, KSA said loyalty continues to be a key factor in brand profitability.

"While higher levels of awareness are certainly desirable, consumer loyalty is the ultimate prize that retailers and manufacturers seek," said Allen Robinson, KSA's manager of consumer marketing. "While gaining a consumer trial [purchase] is difficult enough, a brand that has disappointed a consumer enough to [make the consumer] stop buying has a much more difficult challenge to regain her confidence and trust."

But as consumer loyalty has softened slightly, so has the overall importance shoppers place on brand names: The 1998 survey -- based on more than 550 responses to a mailed questionnaire completed during first quarter -- found 41 percent of women thought a brand name was "very/somewhat important" in purchasing apparel, compared with 46

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percent in 1996.

Nevertheless, while loyalty has wavered, the 1998 survey showed that, as in 1996, most consumers still rely on labels when shopping for products they regularly purchase or when fit is important. For example, commodity products like underwear and jeans inspired the highest brand loyalty, while seasonal items, such as swimwear, received the least. The top five categories in which brands were most important to women were: bras (82 percent), underwear (80 percent), hosiery (72 percent), jeans (71 percent) and casual pants (61 percent).

And brands still play a substantial role in helping women judge value, fit and quality. According to the survey, 88 percent of consumers said they find brands important for value, while 83 percent use brands to determine an item's "look after being worn several times." Fit was named as a top issue by 81 percent, while 80 percent cited quality and 68 percent said brands help them determine "how you will feel while wearing it."

KSA found that consumer interest in all brands -- from manufacturer to retail and private label -- is growing. For example, for the first time a retail brand, **Victoria's Secret**, cracked the survey's top 10 list for consumer awareness -- a list long controlled by manufacturers only. KSA said **Victoria's Secret's** ascension demonstrates the increasing overall strength of retail brands.

The survey found the average awareness of retail brands in 1998 increased 11.3 percent from 1996, to 62.4 percent, while awareness of the top 10 private label brands jumped to 60.4 percent in 1998, a 13.2 percent increase over 1996. (In comparison, the overall average awareness of all brands surveyed was 48.3 percent.)

The top 10 private labels were, in descending order: Jaclyn Smith, Kathie Lee, Hunt Club, Arizona, St. John's Bay, Bobbie Brooks, Kathy Ireland, Worthington, Cabin Creek and Canyon River Blues.

"The increased efforts of retailers are paying off," said Adelle Kirk, KSA's associate director of consumer marketing. "Retailers have realized the value of branding themselves over the last few years, and it shows. Consumers continue to blur the traditional definitions of national, retail and private brands."

Overall, the list of **America's most recognized brands** remained essentially stable in 1998 compared with the 1996 survey, with the notable additions of **Victoria's Secret**, Sheer Energy and Lee jeans. Ranked in order, the 1998 list was topped by Wrangler, which ranked fifth in 1996, followed by Hanes, Calvin Klein, Levi's and Fruit of the Loom. Reebok, Hanes Her Way and Nike all tied for sixth place, followed

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8/26/98 WOMENSWEAR 14

by Lee, Sheer Energy and **Victoria's Secret** in ninth.

The survey also registered a sharp rise in brand importance among younger shoppers. According to the survey 47 percent of consumers under 30 said brands were "very/somewhat important" in choosing what to purchase, compared with only 28 percent in 1996.

KSA said the 19 percent jump made the age bracket the nation's most brand sensitive.

---- INDEX REFERENCES ----

KEY WORDS: BRAND CHOICE BRAND NAME PRODUCTS RETAIL INDUSTRY WOMEN'S CLOTHING INDUSTRY

INDUSTRY: Clothing & Industrial Fabrics (CLO)

SIC: 2300

Word Count: 774
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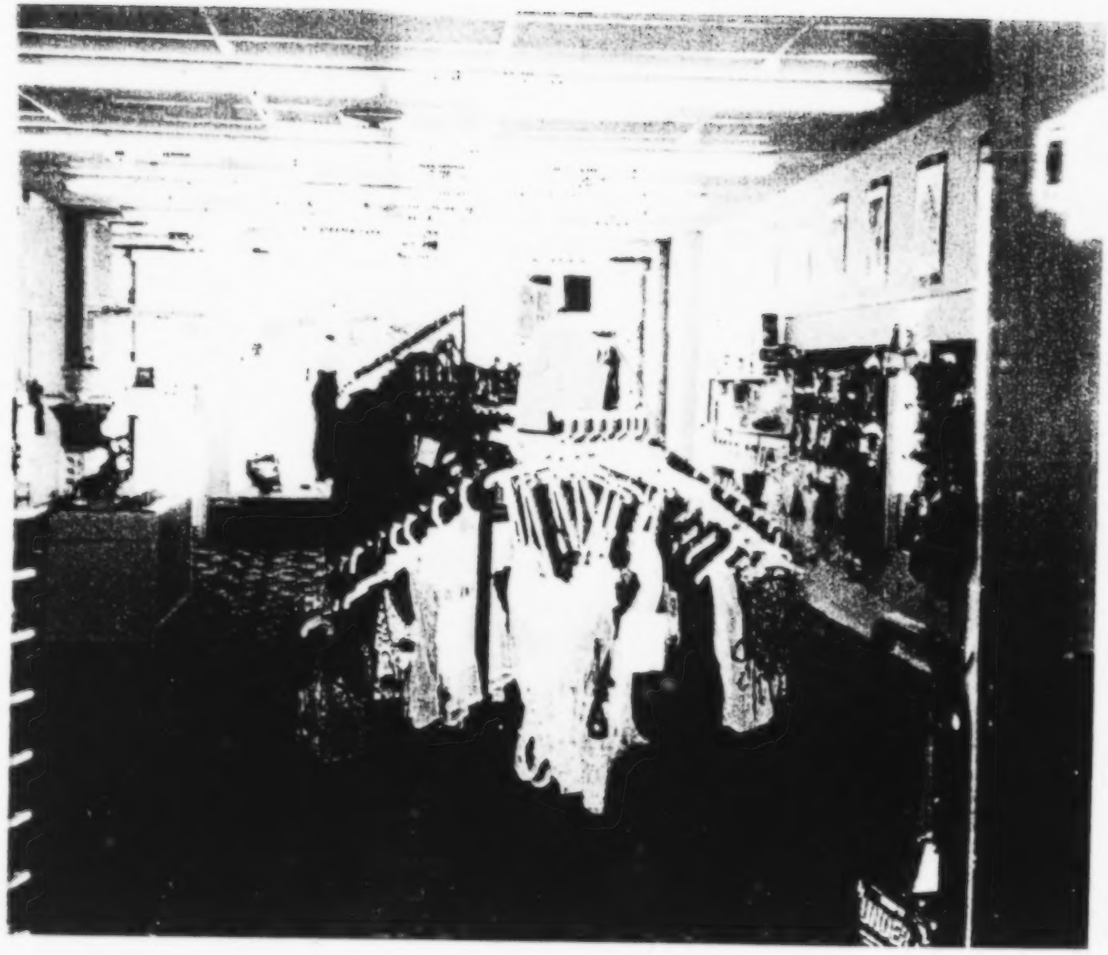

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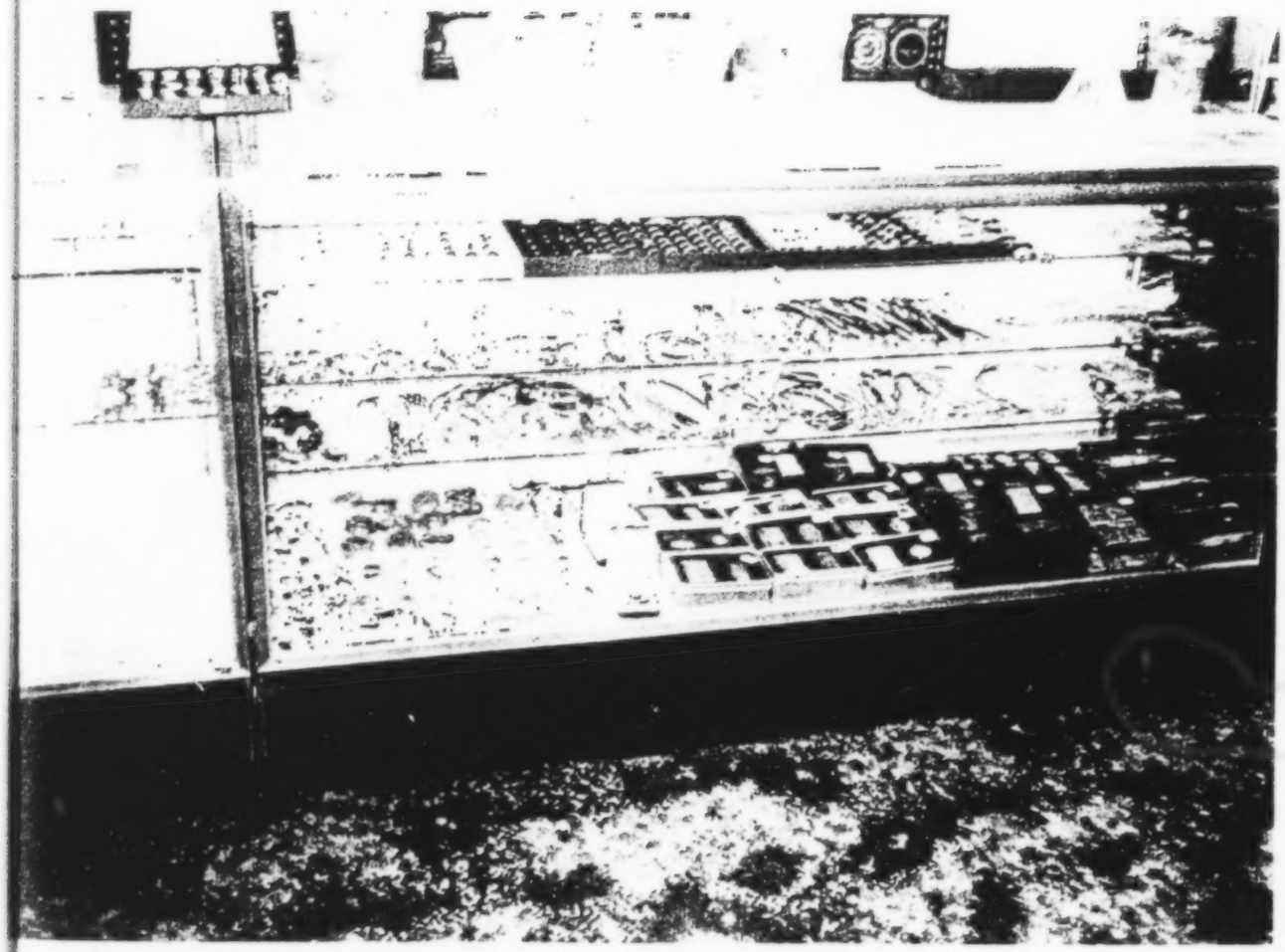

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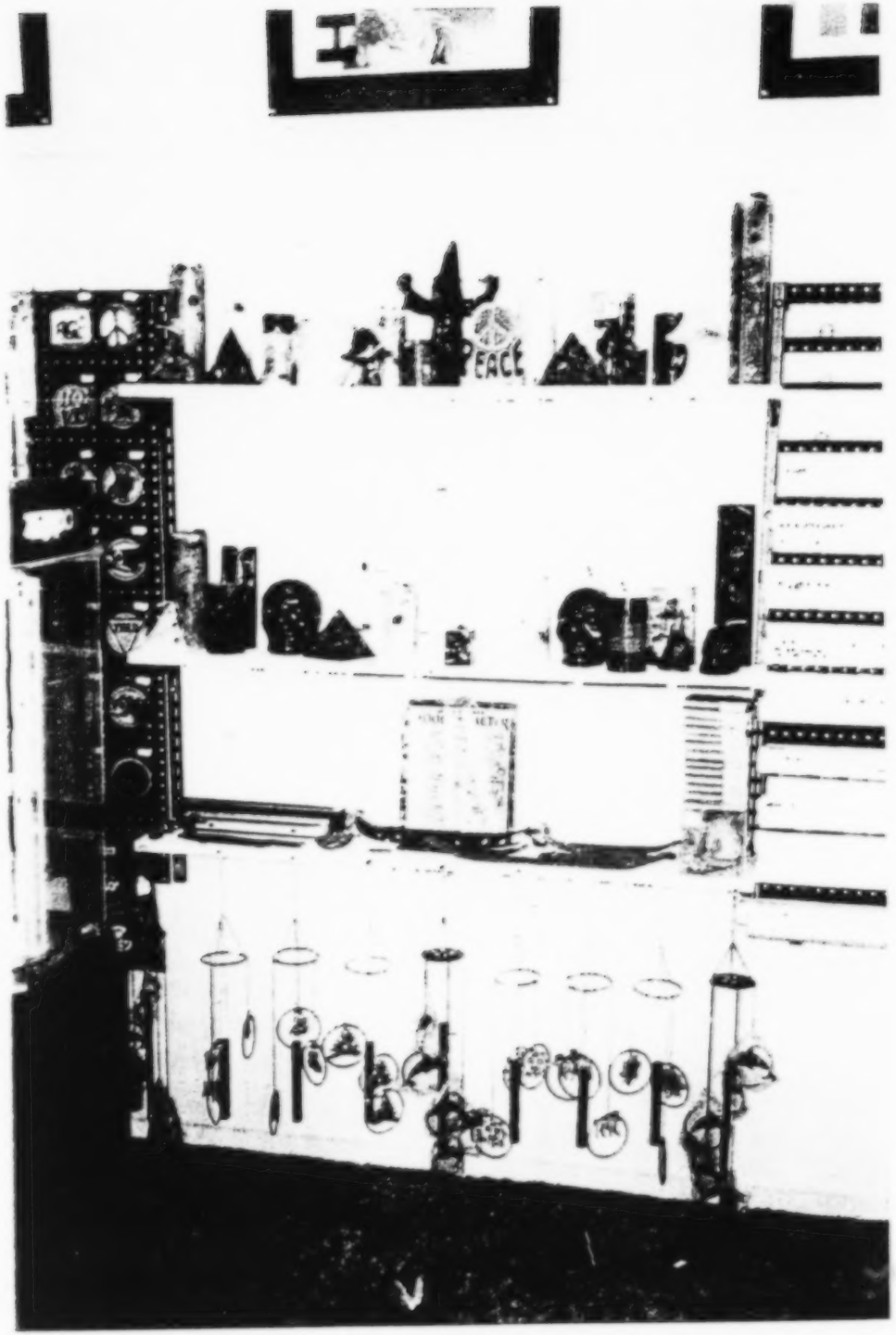

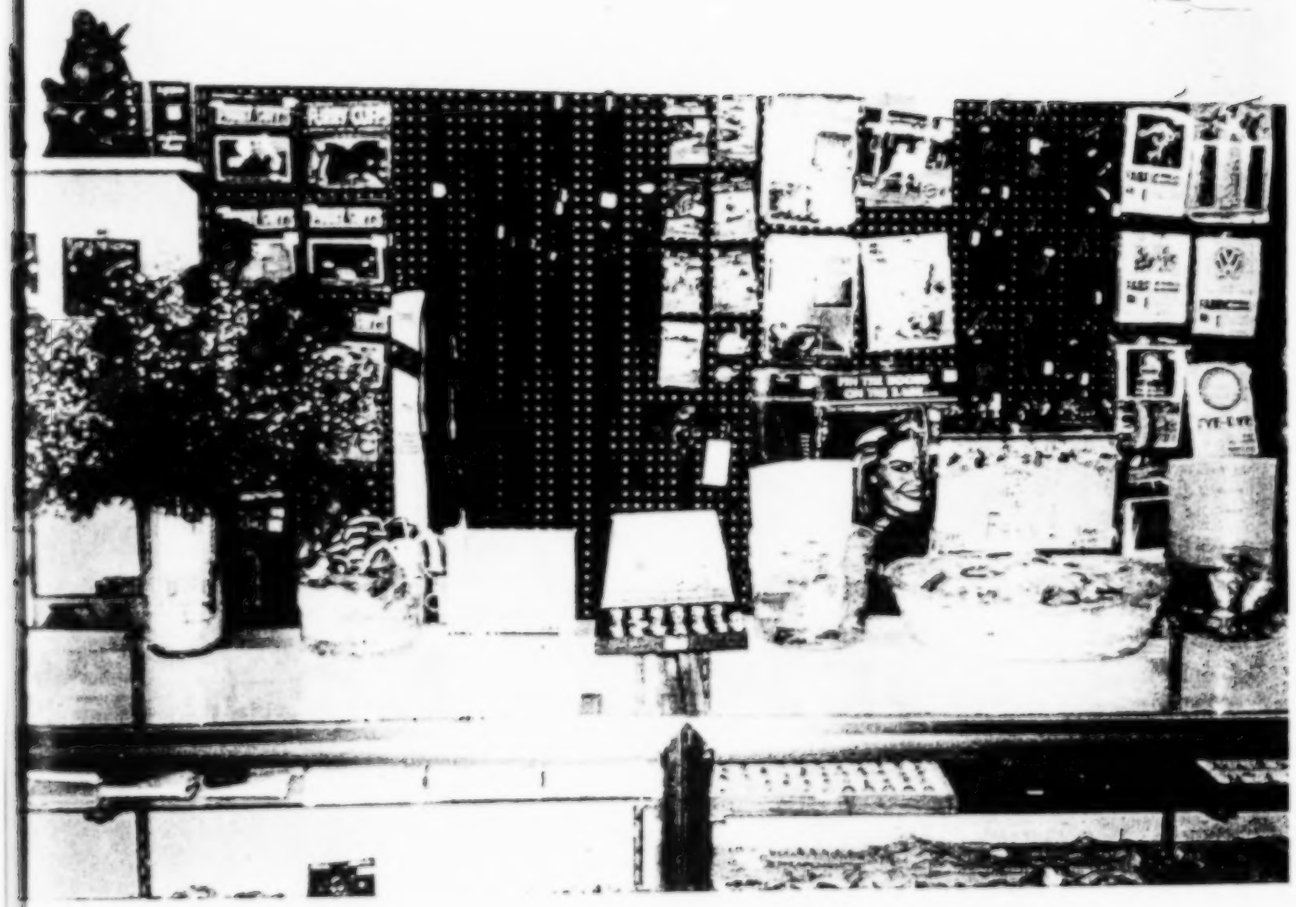

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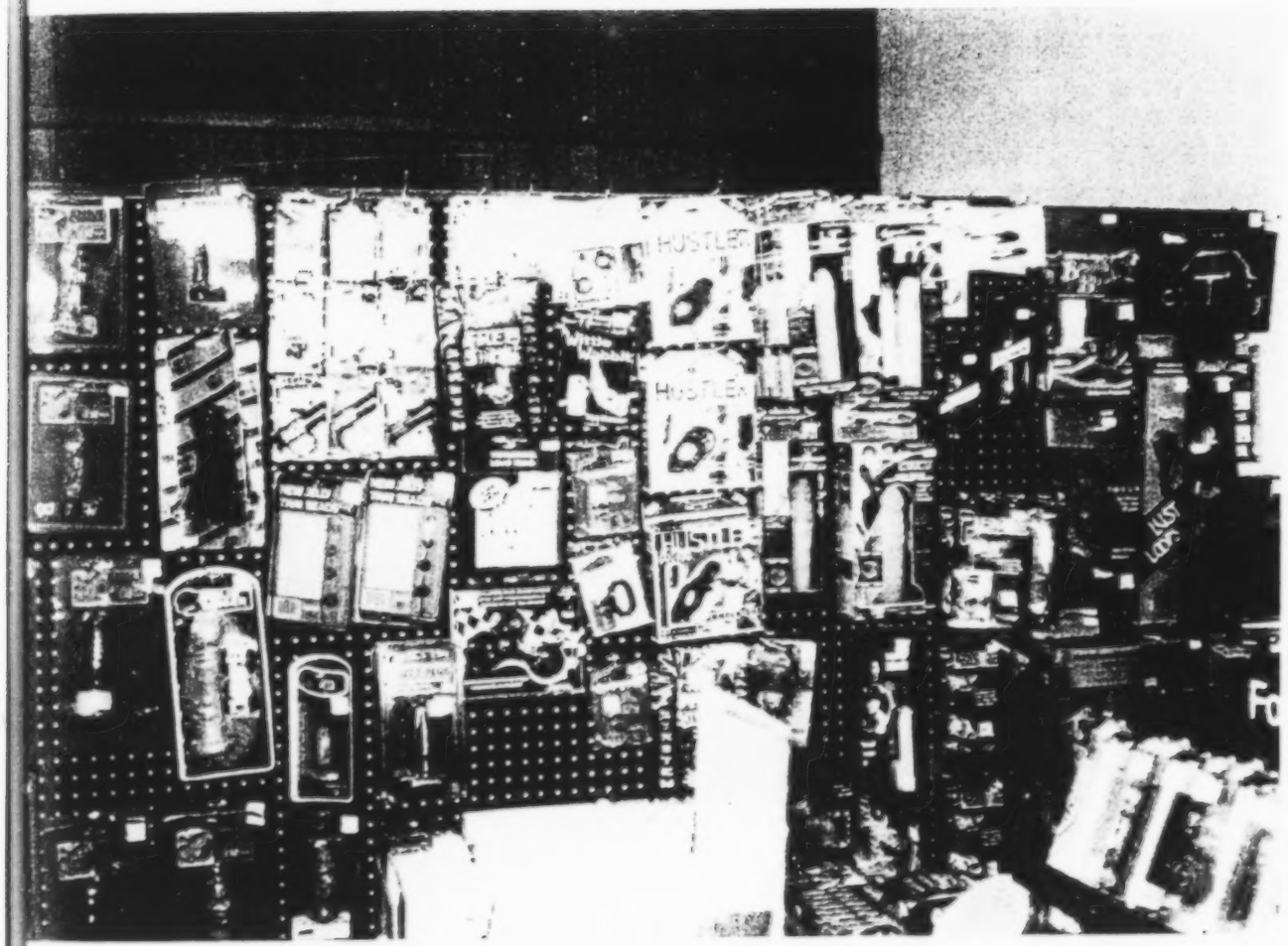
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UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF KENTUCKY

- -x

V SECRET CATALOGUE, INC.
VICTORIA'S SECRET STORES, INC. and
VICTORIA'S SECRET CATALOGUE, Inc.,

Plaintiffs,

v.

VICTOR MOSELEY and
CATHY MOSELEY
d/b/a VICTOR'S LITTLE SECRET
(formerly VICTOR'S SECRET),

Defendants.

Civil Action
No. 3:09cv-395-S
(Charles R. Simpson, C.J.)

- -x

AFFIDAVIT OF JAMES J. MCGINTY

STATE OF OHIO)
: ss.:
COUNTY OF Licking)

JAMES J. MCGINTY, being duly sworn, deposes and says:

1. I am Vice President and Controller of Victoria's Secret Stores. As such, I am responsible for all the accounting operations of Victoria's Secret Stores, including inventory control, sales audits, accounts payable, payroll and shop control; I also serve as the legal liaison for Victoria's Secret Stores. Prior to my present position, which I have held since 1995, I was employed by Structure, Inc. for five-and-a-half years, most recently as Director of Store Support, and before that, I worked

for Express, LLC for six years.[1]

2. As a result, I am fully familiar with the facts hereinafter set forth of my personal knowledge.

3. Plaintiff, V Secret Catalogue, Inc., is the record owner of the VICTORIA'S SECRET Mark which is registered in the United States Patent and Trademark Office, inter alia, as follows:

Registration No.	Issued	Goods
1,146, 199	1/20/81	Women's Lingerie in Class 25
1,179,309	11/24/81	Women's Lingerie and Underwear in Class 25; Retail Stores Services in Class 42
1,224,782	1/25/83	Cosmetics and Cleaning Preparations in Class 3.
1,908,042	8/1/95	Personal Care Products in Class 3; Candles in Class 4; Prerecorded Compact Discs and Audio Tapes featuring Music in Class 9; Mail Order Catalogs in Class 16; Picture Frames, Hand Mirrors and Pillows in Class 20; Perfumes in Class 21; Lingerie Bags in Class 22; Wash Cloths, Towels and Bedding in Class 24; Clothing in Class 25; Stuffed Toys in Class 28; and Retail Stores Services In Class 42.

(See Lyons Aff. at ¶ 3; Plaintiffs' Exhibits 1-4).

[1] Both Structure and Express are wholly-owned subsidiaries of The Limited, Inc.

4. V Secret Catalogue, Inc. licenses plaintiff, Victoria's Secret Stores, Inc., to use the VICTORIA'S SECRET Mark on and in connection with the name of its retail stores and the merchandise which it offers for sale and sells in its VICTORIA'S SECRET stores throughout the United States.

5. Plaintiffs are related companies as that term is defined in Lanham Act §45, 15 U.S.C. 1127. They are all Delaware corporations and subsidiaries of Intimate Brands, Inc., also a Delaware corporation. Prior to Intimate Brands, Inc., plaintiffs and their predecessors were subsidiaries of The Limited, Inc., a Delaware corporation, headquartered in Columbus, Ohio.

6. The Limited purchased the VICTORIA'S SECRET Mark and business in 1982, and since that time, has expended tremendous time, money and effort to ensure that all goods produced under the VICTORIA'S SECRET Mark are of the highest quality.

7. At the time of the purchase, there were three (3) VICTORIA'S SECRET stores in the San Francisco area, the first VICTORIA'S SECRET store having opened in the Stanford Shopping Center in Palo Alto, California in October, 1977. The business also had a small mail order following.

8. The Limited created and developed an entirely new and different image for the VICTORIA'S SECRET brand--one of moderately priced, high quality, attractively designed lingerie sold in a store setting designed to look like a women's bedroom.

9. Since 1982, the number of VICTORIA'S SECRET stores has grown to over 750; by the end of 1999, the number is expected

to reach 912. In addition, over 400 million copies of the VICTORIA'S SECRET catalog are distributed annually throughout the United States. More recently, Victoria's Secret has began sales on the internet at its website located at www.victoriassecret.com. (See Pozy Aff. at ¶ 9).

10. VICTORIA'S SECRET stores sell a complete line of lingerie, women's undergarments and nightwear, robes, caftans and kimonos, slippers, sachets, lingerie bags, hanging bags, candles, soaps, cosmetic brushes, atomizers, bath products and fragrances. Each VICTORIA'S SECRET store prominently displays a VICTORIA'S SECRET sign in the storefront, so that consumers who see or enter the store know that the store is a VICTORIA'S SECRET store and that the merchandise sold in the store is VICTORIA'S SECRET merchandise. Each article of clothing sold in a VICTORIA'S SECRET store is labelled as a VICTORIA'S SECRET item, and bears a hangtag or label prominently bearing the VICTORIA'S SECRET Mark. Annexed hereto and incorporated by reference herein as Plaintiffs' Exhibit 7 is a color photocopy of one such hangtag.

11. Sales by VICTORIA'S SECRET stores, which are continuing, have been and are substantial. For example, during the past ten years, annual store sales have been in excess of the following:

Year	Annual Store Sales
1998	1,507,000,000
1997	1,407,000,000
1996	1,215,000,000
1995	1,286,000,000
1994	1,182,000,000
1993	991,000,000
1992	840,000,000
1991	754,000,000
1990	587,000,000
1989	418,000,000

12. The VICTORIA'S SECRET stores located at the Mall St. Matthews and the Oxmoor Center in Louisville, Kentucky are located approximately sixty miles from defendants' store in Elizabethtown, Kentucky. Combined retail sales at the stores reached $4,634,000 in 1998, $4,444,000 in 1997, $3,990,000 in 1996, $4,058,000 in 1995 and $3,973,000 in 1994. The VICTORIA'S SECRET store in Oxmoor Center has been operating since April 24, 1985; the VICTORIA'S SECRET store at the Mall St. Matthews has been operating since November 16, 1992.

13. VICTORIA'S SECRET merchandise has been and continues to be extensively advertised and promoted in practically all media. For example, over the years, VICTORIA'S SECRET merchandise has appeared in articles in consumer magazines such as Elle, Glamour, Ladies Home Journal, Good Housekeeping, Redbook, McCall's, Cosmopolitan, Vogue and Mademoiselle. Moreover, during a four-month period from November 1997 through February 1998 (the month the Moseleys opened Victor's Secret), Victoria's Secret was mentioned in over 800 newspaper articles, according to a LEXIS/NEXIS search. Attached hereto and incorporated by reference herein as Plaintiffs' Exhibit 8 are color photocopies of magazine articles featuring Victoria's Secret; attached hereto and incorporated by reference herein as Plaintiffs' Exhibit 9 is a copy of the LEXIS/NEXIS search result. In addition, VICTORIA'S SECRET models and merchandise have been regularly featured in national

television shows such as "Oprah", "Inside Edition", "The Tonight Show", "Access Hollywood" "CNN News" and "Extra". Stations in Kentucky carrying Victoria's Secret advertising include WAVE, WDRB, EHAS, WLKY, WDKY, WKYT, WLEX, WTVQ, WYMT, WCPO, WKRC, WLWT, WXIX, WCHS, WOWK, WSAZ, WEHT, WFIE, KBSI, KFVS, WFSD, WSIL, WBKO, WKNT, WKRN, WSMV, WTVF, WZTV, WATE, WBIR, WCYB, WEMT, WJHL and WKPT.

14. Victoria's Secret has expended considerable sums of money on advertising and promoting its merchandise. For example, during the past ten years, Victoria's Secret Stores has expended in excess of the following amounts on such advertising and promotion:

Year	Amount
1998	$55,180,000
1997	$31,478,000
1996	$21,946,000
1995	$14,059,000
1994	$20,375,000
1993	$ 5,486,000
1992	$ 5,835,000
1991	$ 7,235,000
1990	$ 5,727,000
1989	$ 3,893,000

15. In Kentucky alone, advertising expenditures amounted to the following:

Year	Amount
1998	$690,000
1997	$431,000
1996	$272,000
1995	$107,000
1994	$ 67,000
1993	$ 67,000
1992	$ 73,000
1991	$109,000
1990	$ 86,000
1989	$ 57,000

16. It is my understanding that, under a mark remarkably similar to that of VICTORIA'S SECRET, defendants sell low-quality

lingerie, pornographic videos, various "sex toys" and other "adult" novelty items. (See Lyons Aff. at ¶ 10; Pl. Exh. 6).

17. It is my further understanding that, when devising the name "Victor's Secret" for its store, the Moseleys were aware of the existence of Victoria's Secret and the fact that it sells lingerie (Victor Moseley Dep., p. 54, l. 24-25; p. 55, l. 1-15).

18. I believe defendants' intention to trade off on the image of a well-known mark are even more apparent from the fact that they also considered using the name "Adult Toys Are Us" to designate their store. (Victor Moseley Dep. at p. 57, l. 1-8).

19. Mr. Moseley's own testimony makes clear that his business benefited from invoking the image of VICTORIA'S SECRET in the minds of consumers. As he stated in his deposition testimony, prior to the institution of this lawsuit, his clients remarked upon the similarity between the name of defendant's store and that of VICTORIA'S SECRET. (Victor Moseley Dep. at 58, l. 7-15).

20. As my colleagues, Timothy B. Lyons and James Pozy stated in their affidavits, I, too, find absolutely no reason for Victor's Little Secret to trade off on our famous VICTORIA'S SECRET Mark to sell its cheap, tawdry merchandise. The mere association of the VICTORIA'S SECRET Mark with such inferior goods irreparably injures and tarnishes the image and reputation of the VICTORIA'S SECRET Mark as well as dilutes its distinctiveness as a symbol of quality.

WHEREFORE, I respectfully request that this Court find that there is no genuine issue of fact regarding defendants' unauthorized use of our famous VICTORIA'S SECRET Mark to sell its goods, and that this Court find and hold that the use of the VICTORIA'S SECRET Mark by defendants violates our trademark rights, and should be enjoined.

James J. McGinty

Sworn to before me this
30TH day of April, 1999.

Bonita Jean Link
Notary Public

BONITA JEAN LINK
NOTARY PUBLIC - STATE OF OHIO
RECORDED IN LICKING COUNTY
MyCommission Expires June 25, 2003

[The following exhibits are not reproduced in the Joint Appendix but are available in the Record at R.33:]

Exhibit 7 (Color copies of Victoria's Secret hang tags)

Exhibit 8 (Color copies of magazine articles concerning Victoria's Secret)

Exhibit 9 (LEXIS/NEXIS printout)

UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF KENTUCKY

V SECRET CATALOGUE, INC. VICTORIA'S SECRET STORES, INC. and VICTORIA'S SECRET CATALOGUE, Inc., Plaintiffs, v. VICTOR MOSELEY and CATHY MOSELEY d/b/a VICTOR'S LITTLE SECRET (formerly VICTOR'S SECRET), Defendants.	:	Civil Action No. 3:09cv-395-S (Charles R. Simpson, C.J.)

AFFIDAVIT OF JAMES POZY

STATE OF OHIO)
: ss.:
COUNTY OF FRANKLIN)

JAMES POZY, being duly sworn, deposes and says:

1. I am the Director of Inventory Control of Victoria's Secret Catalogue, LLC (formerly Victoria's Secret Catalogue, Inc.), which distributes the VICTORIA'S SECRET catalog.

2. As a result, I am fully familiar with the facts hereinafter set forth of my personal knowledge.

3. Plaintiff, V Secret Catalogue, Inc., is the record owner of the VICTORIA'S SECRET Mark which is registered in the

United States Patent and Trademark Office, inter alia, as follows:

Registration No.	Issued	Goods
1,146, 199	1/20/81	Women's Lingerie in Class 25
1,179,309	11/24/81	Women's Lingerie and Underwear in Class 25; Retail Stores Services in Class 42
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1,908,042	8/1/95	Personal Care Products in Class 3; Candles in Class 4; Prerecorded Compact Discs and Audio Tapes featuring Music in Class 9; Mail Order Catalogs in Class 16; Picture Frames, Hand Mirrors and Pillows in Class 20; Perfumes in Class 21; Lingerie Bags in Class 22; Wash Cloths, Towels and Bedding in Class 24; Clothing in Class 25; Stuffed Toys in Class 28; and Retail Stores Services In Class 42.

(See Lyons Aff. at ¶; Plaintiffs' Exhibits 1-4).

4. V Secret Catalogue, Inc. licenses plaintiff, Victoria's Secret Catalogue to use the VICTORIA'S SECRET Mark on and in connection with the name of its catalog and the merchandise which it offers for sale and sells in its VICTORIA'S SECRET

catalog, which is distributed nationally as well as internationally.

5. Plaintiffs are related companies as that term is defined in Lanham Act §45, 15 U.S.C. 1127. They are all Delaware corporations and subsidiaries of Intimate Brands, Inc., also a Delaware corporation. Prior to Intimate Brands, Inc., plaintiffs and their predecessors were subsidiaries of The Limited, Inc., a Delaware corporation, headquartered in Columbus, Ohio.

6. The Limited purchased the VICTORIA'S SECRET Mark and business in 1982, and since that time, has expended tremendous time, money and effort to ensure that all goods produced under the VICTORIA'S SECRET Mark are of the highest quality.

7. At the time of the purchase, there were three (3) VICTORIA'S SECRET stores in the San Francisco area, the first VICTORIA'S SECRET store having opened in the Stanford Shopping Center in Palo Alto, California in October, 1977. The business also had a small mail order following.

8. The Limited created and developed an entirely new and different image for the VICTORIA'S SECRET brand. It introduced moderately priced, high quality, attractively designed lingerie, and redefined the mail order catalog business by establishing a different marketing theme for each catalog and by photographing models wearing the merchandise in actual surroundings.

9. Currently, over 400 million copies of the VICTORIA'S

SECRET catalog are distributed annually throughout the United States. More recently, Victoria's Secret has began sales on the internet at its website located at www.victoriassecret.com. Annexed hereto and incorporated herein by reference as Plaintiffs' Exhibit 10 is a printout of said website.

10. In addition to the goods sold at VICTORIA'S SECRET stores, which includes a complete line of lingerie, women's undergarments and nightwear, robes, caftans and kimonos, slippers, sachets, lingerie bags, hanging bags, candles, soaps, cosmetic brushes, atomizers, bath products and fragrances, the VICTORIA'S SECRET catalog also sells women's swimsuits, jeans, skirts, dresses, sweaters, T-shirts, shoes, bedding and accessories.

11. The cover of each of the VICTORIA'S SECRET catalogs prominently displays the VICTORIA'S SECRET Mark. Furthermore, the toll-free telephone order line is answered by the Victoria's Secret sales staff, who identify themselves as Victoria's Secret representatives. The boxes in which the telephone-ordered goods are shipped to the purchasers display, in the interest of privacy, the letters VSC. Annexed hereto and incorporated herein by reference as Exhibit 11 is a copy of a mailing label sent to purchasers of goods from the VICTORIA'S SECRET catalog.

12. Sales of VICTORIA'S SECRET merchandise through the VICTORIA'S SECRET catalog, which sales are continuing, have been

and are substantial. For example, during the past seven years, annual sales figures for the VICTORIA'S SECRET catalog have been in excess of the following:

13.

Year	Annual Sales
1998	$759,335,000
1997	$734,378,000
1996	$684,302,000
1995	$661,127,000
1994	$569,306,000
1993	$425,120,000
1992	$342,058,000

14. Residents of Kentucky are included in the VICTORIA'S SECRET mail order catalog program. Currently, over 3.5 VICTORIA'S SECRET catalogs are distributed to Kentucky residents annually, with 39,000 catalogs distributed in Elizabethtown alone in 1998. Furthermore, in the last five years, Kentucky residents have purchased nearly $30 million of VICTORIA'S SECRET merchandise through the catalog. Attached hereto and incorporated herein by reference is a table enumerating the circulation, net sales per year, and advertising expenditures of Victoria's Secret Catalogue, LLC nationwide, in Kentucky, in Hardin County and in Elizabethtown, respectively.

15. VICTORIA'S SECRET merchandise has been and continues to be extensively advertised and promoted in practically all media. For example, over the years, VICTORIA'S SECRET merchandise has been advertised and appeared in articles in consumer magazines such as Elle, Glamour, Ladies Home Journal, Good Housekeeping, Redbook,

McCall's, Cosmopolitan, Vogue and Mademoiselle. Victoria's Secret has also been the subject of innumerable newspaper articles throughout the United States. For example, during a four-month period from November 1997 through February 1998 (the month the Moseleys opened Victor's Secret), Victoria's Secret appeared in over 800 newspaper articles, according to a NEXIS search. VICTORIA'S SECRET models and merchandise have been regularly featured in national television shows such as "Oprah", "Inside Edition", "The Tonight Show", "Access Hollywood" "CNN News" and "Extra". Stations in Kentucky carrying Victoria's Secret advertising include WAVE, WDRB, EHAS, WLKY, WDKY, WKYT, WLEX, WTVQ, WYMT, WCPO, WKRC, WLWT, WXIX, WCHS, WOWK, WSAZ, WEHT, WFIE, KBSI, KFVS, WFSD, WSIL, WBKO, WKNT, WKRN, WSMV, WTVF, WZTV, WATE, WBIR, WCYB, WEMT, WJHL and WKPT. (See Pozy Aff. at ¶ 15; Pl. Exh. 8-9).

16. In 1995, Victoria's Secret launched its first annual Fashion Show. In addition to the VICTORIA'S SECRET models who participate in the show, numerous celebrities from the fashion, film and television industries also attend. Attendance is by invitation only, as no tickets to the Show are sold. So widespread has the media coverage of the "Victoria's Secret Fashion Show" been that an invitation to the Show has become one of the most difficult to obtain.

17. The last Show, which took place on February 3, 1999, was simulcast via the internet at Victoria's Secret's website, which is fully accessible worldwide. Nearly two million people viewed the webcast live, setting a new world's record for the total

number of hits received during a specific event. The event was an international sensation and was reported by media outlets throughout the world.

18. Victoria's Secret has expended considerable sums of money on advertising and promoting its merchandise. For example, during the past five years, Victoria's Secret Catalogue has expended in excess of the following amounts on such advertising and promotion:

YEAR	AMOUNT
1998	$ 237,087,000
1997	$ 226,690,000
1996	$ 209,491,000
1995	$ 202,968,000
1994	$ 154,008,000

19. In Kentucky, advertising expenditures of Victoria's Secret Catalogue were as follows:

YEAR	AMOUNT
1998	$ 2,066,000
1997	$ 1,975,000
1996	$ 1,825,000
1995	$ 1,768,000
1994	$ 1,342,000

Annexed hereto and incorporated herein by reference as Plaintiffs' Exhibit 11 is a table further delineating sales and advertising figures for Victoria's Secret Catalogue.

20. It is my understanding that, under a mark undeniably similar to that of VICTORIA'S SECRET, defendants sell low-quality lingerie, pornographic videos, various "sex toys" and other "adult"

novelty items. (See Lyons Aff. at ¶ 10; Pl. Exh. 6).

21. I believe that defendants' lack of good faith in choosing a name for their business is obvious, since they testified that they were aware of Victoria's Secret and the fact that it sells lingerie (Victor Moseley Dep., p. 54, l. 24-25; p. 55, l. 1-15). Indeed, their "short list" of names included more than one potentially infringing use--they also considered using the name "Adult Toys Are Us" to designate their store. (Victor Moseley Dep. at p. 57, l. 1-8).

22. In bringing this lawsuit, Victoria's Secret is trying to avoid the very damage Mr. Moseley informed us has already occurred. As he stated in his deposition testimony, prior to the institution of this lawsuit, his clients remarked upon the similarity between the name of defendant's store and that of VICTORIA'S SECRET. (Victor Moseley Dep. at 58, l. 7-15). Clearly, the danger of dilution of the VICTORIA'S SECRET Mark is very real.

23. As my colleagues, Timothy B. Lyons and James J. McGinty stated in their affidavits, I, too, object to Victor's Little Secret's trading off on our famous VICTORIA'S SECRET Mark to sell its objectionable wares. The mere association of the VICTORIA'S SECRET Mark with such inferior and salacious goods irreparably injures and tarnishes the image and reputation of the VICTORIA'S SECRET Mark as well as dilutes its distinctiveness as a symbol of quality.

WHEREFORE, I respectfully request that this Court find that there is no genuine issue of fact regarding defendants' unauthorized use of our famous VICTORIA'S SECRET Mark to sell its goods, and that this Court find and hold that the use of the VICTORIA'S SECRET Mark by defendants violates our trademark rights, and should be enjoined.

James Pozy

Sworn to before me this 4th
day of ~~April~~ MAY, 1999.

Susan E. Soltesz
Notary Public MCE: 8-6-02

[The following exhibits are not reproduced in the Joint Appendix but are available in the Record at R.33:]

Exhibit 10 (Printout of Victoria's Secret website)

Exhibit 11 (Color copy of Victoria's Secret mailing label)

Exhibit 12 (Table: Sales/Advertising of Victoria's Secret catalogue)

UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF KENTUCKY

- -x

V SECRET CATALOGUE, INC.
VICTORIA'S SECRET STORES, INC. and
VICTORIA'S SECRET CATALOGUE, Inc.,

Plaintiffs,

v.

VICTOR MOSELEY and
CATHY MOSELEY
d/b/a VICTOR'S LITTLE SECRET
(formerly VICTOR'S SECRET),

Defendants.

Civil Action
No. 3:09cv-395-S
(Charles R. Simpson, C.J.)

- -x

AFFIDAVIT OF FRANK J. COLUCCI

STATE OF NEW YORK)
: ss.:
COUNTY OF NEW YORK)

FRANK J. COLUCCI, being duly sworn, deposes and says:

1. I am a member of the firm of Colucci & Umans, attorneys of record for plaintiffs in the above-referenced civil action. As such, I am fully familiar with the facts and circumstances involved in this case.

2. For the past 17 years, I have served as intellectual property counsel to plaintiffs. During this time, I have been actively involved in the policing and enforcement of Victoria's Secret's intellectual property rights, including its trademarks.

3. We first became involved in this matter on February 16, 1998, when a member of the risk assessment team at Victoria's

Secret Stores, Inc. sent us a copy of an advertisement for Victor's Secret faxed to them by Colonel John Baker.[1] Upon receiving this information and after consultation with plaintiffs, on February 25, 1998 our firm sent a letter to the Moseleys demanding that they immediately cease the use of the infringing Victor's Secret designation in connection with their adult sex shop. Attached hereto and incorporated by reference herein as Plaintiffs' Exhibits 13 and 14, respectively, are copies of said fax from Colonel Baker, as well as our cease and desist letter to the Moseleys dated February 25, 1998.

4. At the time we sent the Moseleys a cease and desist letter, neither my firm nor Victoria's Secret had any intention of pursuing litigation. Indeed, by sending the letter, we hoped to resolve the matter amicably--and our subsequent conversations with Mr. Moseley seemed to indicate that this was the course we would take.

5. In ensuing telephone conversations between Mr. Moseley and my firm, Mr. Moseley indicated a similar wish to settle this matter amicably; to that end, we discussed changing the name

[1] Colonel Baker, the Staff Judge Advocate for the U.S. Army Armor Center and Fort Knox, had been dismayed to see an advertisement in Inside the Turret, a Fort Knox newspaper, for the grand opening of Victor's Secret, a self-proclaimed purveyor of "adult novelties". Defendants' use of the name Victor's Secret to promote such unsavory merchandise alarmed Colonel Baker--both as an attorney and as the husband and father of Victoria's Secret customers. Baker Aff. at ¶ 6-7. He therefore called Victoria's Secret to inform them of defendants' infringement, and, in response to Victoria's Secret's request, faxed them a copy of the advertisement appearing in Inside the Turret.

of his store. However, without notifying my firm, the Moseleys changed the name of their store to VICTOR'S LITTLE SECRET by merely adding the word "Little" over the hand logo. Since, the word "Little" appears significantly smaller than the name VICTOR'S SECRET; this inconsequential change did little to alter the mark or its potential effect on consumers, as indicated below:

6. In a follow-up letter to the Moseleys, my firm requested copies of the advertising, promotional materials and signage used by the Moseleys as well as photographs of the store. Attached hereto and incorporated herein by reference as Plaintiffs' Exhibit 15 is a copy of this letter. The Moseleys outright refused to provide any further information to us. When we realized that our attempts to amicably resolve this matter on behalf of Victoria's Secret were futile, we commenced this civil action on June 26, 1998.

7. Notwithstanding the commencement of this civil action, advertisements for VICTOR'S LITTLE SECRET have continued to appear on radio stations such as WRZI, Star 101.5, and in newspaper publications such as the Central Kentucky Weekly Shopper, the News Enterprise and online on Weekly Shopper.com. (V. Moseley Dep. at p. 33, l. 11-p. 36, l. 12). In fact, Mr. Moseley testified that he plans to continue advertising VICTOR'S LITTLE SECRET in all of these media. (V. Moseley Dep. at p. 38, l. 6-10).

8. Despite our best efforts to resolve this matter without costly, time-consuming litigation, defendants left us no choice but to file this lawsuit. Moreover, Moseleys' actions make it clear that they intend to continue to benefit from their sex shop's association with Victoria's Secret, to the detriment of the plaintiffs, until they are legally barred from doing so.

WHEREFORE, I respectfully request that this Court find that there is no genuine issue of fact regarding defendants' use of VICTOR'S LITTLE SECRET and that such use violates Victoria's Secret's trademark rights in and to its famous VICTORIA'S SECRET ~~mark~~ and name, and should be enjoined.

Frank J. Colucci

Sworn to before me this
6th day of May, 199[illegible].

Courtney W. Monahan
Notary Public

COURTNEY WILSON MONAHAN
Notary Public, State of New York
No. 4966364
Qualified in New York County
Commission Expires Oct. 7, 2000

OFFICE OF THE STAFF JUDGE ADVOCATE
US ARMY ARMOR CENTER & FORT KNOX
FORT KNOX, KENTUCKY 40121
FAX NUMBER DSN 464-2488
COMMERCIAL (502) 624-2488

(212)935-5728

RECEIVED
LUCCI & HUMANS
FEB 17 1998

TO Victoria's Secret — FILE D68 [illegible]
ATTENTION Security/Legal Dept
FAX NUMBER (614) 577-7036

FROM COL John Baker
DATE 12 Feb 98
TELEPHONE NUMBER TO CONFIRM FAX
DSN 464-1602
COMMERICAL (502) 624-1602

NUMBER OF PAGES 2 (INCLUDING COVER PAGE)

Frank
REMARKS Per conversation you requested.
We received this and thought
you might want to see this.
Meredith

HOME OF MOUNTED WARFARE

GRAND OPENING

Just in time for Valentine's Day!

VICTOR'S SECRET

•Intimate Lingerie *for every woman*
•Romantic Lighting
•Lycra Dresses
•Pagers
•Adult Novelties/Gifts

Houchens Plaza, Elizabethtown • 737-5231

Hours: Mon.-Thurs. 10 am-6 pm; Fri. & Sat. 10am-9pm

BEST AVAILABLE COPY

COLUCCI & UMANS

MANHATTAN TOWER
101 EAST 52ND STREET
NEW YORK, NEW YORK 10022-6018

TELEPHONE (212) 935-5700
FACSIMILE (212) 935-5728
email@colucci-umans.com

WESTCHESTER OFFICE
970 WHITE PLAINS ROAD
SCARSDALE, NEW YORK 10583
TELEPHONE (914) 472-1500
FACSIMILE (914) 472-1551

FRANK J. COLUCCI, P.C.
KENNETH R. UMANS, P.C.
COURTNEY WILSON MONAHAN, P.C.
THOMAS A. KAIN
RAYMOND J. GLYNN
W. BRANT MOSSOP
SUSAN B. JACOBSON
GREGORY J. COLUCCI
RICHARD P. JACOBSON
BROOKE J. ERDOS*
ERIN S. HENNESSY*
RICHARD P. GEORGET
G. MATHEW LOMBARD

OF COUNSEL
NOTARO & MICHALOS P.C.

*LEGAL ASSISTANT

February 25, 1998

VIA FEDEX

Mr. Victor Mosley
#20 300 Sycamores Street
Houchens' Plaza
Elizabethtown, Kentucky 42701

Re: Our File D68-003

Dear Mr. Mosley:

We are Intellectual Property Counsel to The Limited, Inc., including its wholly-owned subsidiaries Victoria's Secret Stores and Victoria's Secret Catalogue (collectively "Victoria's Secret").

Victoria's Secret owns and operates the well-known VICTORIA'S SECRET stores located throughout the United States as well as the well-known VICTORIA'S SECRET catalog world-wide. Victoria's Secret has been in business in the United States for many years and the name VICTORIA'S SECRET has become exclusively associated in the minds of the public with our client and its merchandise.

In addition, VICTORIA'S SECRET is a registered trademark with the United States Patent and Trademark Office. Victoria's Secret also owns the VICTORIA'S SECRET catalog which is distributed throughout the United States. As a result, the VICTORIA'S SECRET name and trademark has acquired widespread public recognition and goodwill in the United States and is an extremely important and valuable asset of our client.

We have recently learned that you and Ms. Cathy Mosley own and operate a retail business named VICTOR'S SECRET which sells lingerie, dresses and novelties.

In our opinion and that of our client, your choice

of VICTOR'S SECRET for a retail clothing store, in particular a store that specializes in lingerie, is likely to cause confusion with our client's well-known VICTORIA'S SECRET mark and name by suggesting a connection or association between you and Victoria's Secret. In addition, your use of VICTOR'S SECRET is likely to dilute the distinctiveness of our client's VICTORIA'S SECRET mark and name.

Accordingly, we request that you discontinue any and all use the mark VICTOR'S SECRET and any variations thereof immediately.

We look forward to hearing from you promptly in this matter in any event, no later than by Friday, February 27, 1998. Otherwise, we shall have no alternative but to take all appropriate further action to protect Victoria's Secret's rights.

Very truly yours,

G. Mathew Lombard

GML:he

[Exhibit 15]

COLUCCI & UMANS

MANHATTAN TOWER
101 EAST 52ND STREET
NEW YORK, NEW YORK 10022-6018

TELEPHONE (212) 935-5700
FACSIMILE (212) 935-5728
email@colucci-umans.com

WESTCHESTER OFFICE
670 WHITE PLAINS ROAD
SCARSDALE, NEW YORK 10583
TELEPHONE (914) 472-1800
FACSIMILE (914) 472-1881

FRANK J. COLUCCI, P.C.
KENNETH R. UMANS, P.C.
COURTNEY WILSON MONAHAN, P.C.
THOMAS A. KAIN
RAYMOND J. GLYNN
W. BRANT MOSSOP
SUSAN S. JACOBSON
GREGORY J. COLUCCI
RICHARD P. JACOBSON
BROOKE J. ERDOS*
ERIN S. HENNESSY*
RICHARD P. GEORGET
G. MATHEW LOMBARD

OF COUNSEL
NOTARO & NICHALOS P.C.

*LEGAL ASSISTANT

March 20, 1998

VIA FEDEX

Mr. Victor Mosley
#20 300 Sycamores Street
Houchens Plaza
Elizabethtown, Kentucky 42701

Re: Our File D68-003

Dear Mr. Mosley:

Further to our letter of February 25th and our subsequent telephone conversations, in order for Victoria's Secret to consider whether your proposed name change to VICTOR'S LITTLE SECRETS and Hand Design would be acceptable, it must have the following information:

1) photographs of the interior and exterior of your store;

2) a drawing, illustration or sketch of the manner in which you propose to use the name VICTOR'S LITTLE SECRETS and Hand Design on store signs, business cards, shopping bags, etc., including any advertisements, i.e., newspaper or telephone yellow pages advertisments; and

3) a list of the products sold in your store, specifically, the type of lingerie that your store sells (i.e., novelty lingerie or traditional lingerie) as well as samples.

We look forward to receiving the requested information at your earliest convenience so that we may forward it to Victoria's Secret for its review.

Sincerely yours,

Frank J. Colucci

FJC/GML:ae

VICTOR'S SECRET

A-1
VAC
VICTOR'S SECRET

UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF KENTUCKY

- -x

V SECRET CATALOGUE, INC., :
VICTORIA'S SECRET STORES, INC., and
VICTORIA'S SECRET CATALOGUE, INC., :

Plaintiffs, :

v. : Civil Action No.
3:09cv-395-S
(Charles R. Simpson, C.J.)

VICTOR MOSELEY and :
CATHY MOSELEY
d/b/a VICTOR'S LITTLE SECRET :
(formerly VICTOR'S SECRET),

Defendants. :

- -x

AFFIDAVIT OF SCOTT D. JOHNSON, Ph.D.

STATE OF KENTUCKY)
: ss.:
COUNTY OF JEFFERSON)

SCOTT D. JOHNSON, being duly sworn, deposes and says:

1. I am Chairman of the Department of Marketing at the University of Louisville's College of Business and Public Administration. I hold a Ph.D. in Marketing from Michigan State University, an M.B.A. (with a marketing concentration) from the University of Minnesota, and a B.A. from the University of Minnesota. Annexed hereto and incorporated by reference herein as "Appendix A" is a copy of my curriculum vitae.

2. I was retained by plaintiffs' attorneys, Colucci & Umans, to evaluate how the publicity garnered by Victoria's Secret, coupled with its advertising expenditures, impact the brand recognition or "fame" of the VICTORIA'S SECRET Mark.

3. In making this evaluation, I examined Victoria's Secret's national advertising expenditures and Hardin County advertising expenditures, as well as the number of VICTORIA'S SECRET catalogs mailed to residents of Hardin County, the presence of two VICTORIA'S SECRET retail stores in Louisville, and the publicity received by Victoria's Secret. My conclusions are as follows:

Victoria's Secret's Advertising Expenditures

4. Victoria's Secret's advertising expenditures in Kentucky and in Hardin County have been considerable, as evidenced by the affidavits of James Pozy and James J. McGinty, which I have reviewed. These figures do not, however, reflect the total effort made by Victoria's Secret to promote its VICTORIA'S SECRET Mark in Hardin County. It is difficult to quantify the impact Victoria's Secret's national advertising expenditures have had on the public recognition of the VICTORIA'S SECRET Mark in Hardin County. However, in a study of the correlation between Victoria's Secret store sales in the Louisville area and Victoria's Secret's national advertising expenditures, I concluded that national advertising expenditures are significant predictors of sales revenues in the two Louisville stores.

5. In my analysis, I examined the data provided in the affidavit of James J. McGinty delineating the total store sales and total advertising expenditures for VICTORIA'S SECRET stores during 1989-1998 to test the strength of their

relationship. My findings reveal a strong correlation between the two, as measured by the Pearson product-moment coefficient (r), a commonly used statistical device. If the Pearson product-moment coefficient equals zero (r = 0), there is no correlation between the two variables. If the Pearson product-moment coefficient approaches one (r = 1), the two data sets are highly related. My computation of the correlation between the total sales and total advertising figures for VICTORIA'S SECRET stores resulted in a Pearson product-moment coefficient of .809 (r = .809). In what is known as a regression analysis, I also measured the significance of this correlation, and found a significance level of .005. This means that there is less than 1% chance that such a relationship would occur randomly. Thus, sales and advertising of VICTORIA'S SECRET stores are very closely linked.

6. I performed a similar analysis of the total store sales for the Louisville area during 1994-1998 with national advertising expenditures for VICTORIA'S SECRET stores during that same period. My computation revealed that these two sets of data are also significantly correlated, with a Pearson product-moment coefficient of .932 (r = .932) and a significance level of .021. Once again, this reveals that national advertising expenditures by Victoria's Secret have a significant impact on the consumer awareness, and therefore sales, of VICTORIA'S SECRET products in the Louisville region, including Hardin County.

7. In addition, since Victoria's Secret's catalog

sales have amounted to $30 million in Kentucky in the past five years, this further supports my conclusion that most of the residents of Hardin County, Kentucky are aware of Victoria's Secret.

Victoria's Secret Store Sales

8. There are two VICTORIA'S SECRET stores located in Louisville; one, in the Mall St. Matthews, has been open for seventeen years, and the other, in Oxmoor Center, has been open for fourteen years. The two Louisville stores, with combined sales of $4,634,000 in 1998, perform significantly above the national average for sales in VICTORIA'S SECRET stores. In 1998, total sales for 750 stores were $1,507,000,000, or $2,009,333 per store. Doubling the per store national average and comparing it to the two Louisville stores reveals that sales at the Louisville stores are 15% higher than the national average. Clearly, Victoria's Secret enjoys a strong, positive brand recognition among consumers in the region.

9. The Mall St. Matthews is the largest enclosed mall in the State of Kentucky, with about one million square feet of retail space, and the Oxmoor Center is almost as large, at 917,000 square feet of space. The larger the retail space, the more it is likely that consumers will travel long distances to shop at them; this is known as the retail gravitation theory. The variety of stores, the size of stores and the busy atmosphere offered by Oxmoor Center and Mall St. Matthews creates a significant attraction for those living within an easy, 50-minute

commute, such as shoppers in Elizabethtown.

10. The presence of the two VICTORIA'S SECRET stores at two of the largest retail centers in Kentucky serves to further publicize and validate the VICTORIA'S SECRET Mark in the eyes of regional consumers. In my opinion, it is almost inconceivable that most Hardin County residents have not visited either of these two malls, and encountered Victoria's Secret.

Victoria's Secret Catalog Sales

11. The distribution of the VICTORIA'S SECRET catalog to Hardin County residents also serves to advertise and promote the VICTORIA'S SECRET Mark. According to the Kentucky State Data Center, there are 31,481 households in Hardin County. In 1998, 39,000 Victoria's Secret catalogs were distributed in Elizabethtown, Kentucky alone. (See Pozy Aff.). Thus, 1.24 catalogs per household were distributed on a countywide basis. It is statistically likely that most females would have received at least one VICTORIA'S SECRET catalog in 1998. Moreover, each catalog possesses an additional "passalong" value. Catalogs like Victoria's Secret often remain in view long after their initial arrival in the mail, and are passed along from friend to friend, or displayed in beauty parlors, hair salons and the like. This unquantifiable advertising further serves to promote the VICTORIA'S SECRET Mark.

Publicity Received by Victoria's Secret

12. Publicity relating to Victoria's Secret also serves to create a high level of awareness of the VICTORIA'S

SECRET mark among consumers. Publicity is valuable because it generally comes from an independent source that is often perceived as very credible since that source is not being paid to deliver the message. As stated by Victoria's Secret, nearly nine hundred articles appeared about Victoria's Secret in the four-month period leading up to the date the Moseleys opened their store. Moreover, VICTORIA'S SECRET models and merchandise have been profiled on several national television shows and in magazine articles. This adds to the credibility, fame and consumer recognition of the VICTORIA'S SECRET Mark; indeed, with such extensive national coverage, it is difficult to imagine that anyone in Hardin County is unfamiliar with Victoria's Secret.

Conclusion

13. Valuing brand equity (or the value of a trademark) built up over the years by a company is a difficult task. However, brand loyalty and brand awareness are two major components of brand equity. The fact that VICTORIA'S SECRET is among the top ten most recognized brands in the country suggests the enormous value of the VICTORIA'S SECRET Mark. (Lyons Aff. at ¶ 9). While the advertising expenditures in the State of Kentucky and in Hardin County are significant considering the population, it reflects only the quantifiable effort by Victoria's Secret to promote its mark in the region. As demonstrated above, Victoria's Secret's less quantifiable efforts, such as its catalog distribution, public relations, national advertising, and mall presence, all serve to create a

strong awareness and positive impression of the VICTORIA'S SECRET Mark throughout the United States, including Hardin County, Kentucky.

Dated: Louisville, Kentucky
May 6, 1999

Scott D. Johnson

Subscribed and sworn to me this
6 day of May, 1999

Brennen S. Wilson
Notary Public 9-2002

Scott D. Johnson, Ph.D.

ADDRESS

University
College of Business & Public Administration
University of Louisville
Louisville, Kentucky 40292-0001

Home
4129 Brentler Road
Louisville, KY 40241-1520
502-426-5801

Telephone: (502) 852-4848
Fax: (502) 852-7672
E-mail: scott@louisville.edu

PERSONAL INFORMATION

Married with 4 children, US citizen

EDUCATION

Ph.D., Michigan State University (1990) in Marketing; Minor Subject Areas: International Business and Advertising
M.B.A., University of Minnesota (1981), Marketing concentration
B.A., University of Minnesota (1977), Majors: Philosophy and German

LANGUAGES

English (native) and German (conversational)

ACADEMIC HONORS

Phi Beta Kappa; B.A. magna cum laude

RESEARCH INTERESTS

Recommendation-Based Decision Making, The Role of Prior Knowledge in Consumer Decision Heuristics, Environmental Marketing, and The Simulated Business Environment

MBA COURSES TAUGHT

Marketing Management, Integrated MBA (IMBA) - Marketing Foundations Module, Business and Society

UNDERGRADUATE COURSES TAUGHT

Marketing Problems (capstone case course), Retailing, Market Promotion, Advertising, Consumer Behavior, Marketing Research, Principles of Marketing

PROFESSIONAL ASSOCIATION MEMBERSHIP

American Marketing Association (National), 1982 - present; American Marketing Association, Louisville Chapter, 1991 - present; The Academy of Marketing Science, 1986 - present; Association for Consumer Research, 1990 - 1995; Southern Marketing Association, 1993-1996.

PROFESSIONAL DEVELOPMENT CONFERENCES/WORKSHOPS

AACSB External Resource Development Seminar, Washington, D.C. November 1998.
AACSB Mid Continent East Regional Meeting, Minneapolis, MN, Sept 1998.
AACSB Undergraduate Program Seminar, Charlottesville, VA, February, 1998.
AACSB, Annual Meeting, Boston, MA, April, 1997.
AACSB, Continuous Improvement Symposium, St. Louis, September, 1996.
Distance Education Workshop, Teletraining Institute, Louisville, November, 1995.
AACSB, Teaching Effectiveness Workshop, Philadelphia, February, 1993.
12th Faculty Consortium, Personal Selling and Sales Management, American Marketing Association, Memphis, July, 1992.

PUBLICATIONS

Academic Journal Articles

Kemelgor, Bruce H., Scott D. Johnson, and S. Srinivasan (under review), "Drivers for Organizational Change: Technology, Competition, and the Workplace," *Journal of Managerial Issues.*

Johnson, Scott D., S. Srinivasan, and Bruce H. Kemelgor (1998), "Organizational Structure and the Role of Empowered Teams in U.S. Business Schools: An Empirical Asessment," *Journal of Education for Business*, May/June, 280-283.

Duhan, Dale F., Scott D. Johnson, James B. Wilcox, and Gilbert D. Harrell (1997), "Influences on Consumer Use of Word-of-Mouth Recommendation Sources." *Journal*

of the Academy of Marketing Science, Vol. 25, No. 4, June, 283-295.

Johnson, Scott D., Denise M. Johnson, and Peggy A. Golden (1997), "Multinational Business Gaming: Is Gender Important?," *Journal of Teaching in International Business*, Vol. 8, No. 4, 65-82.

Johnson, Scott D., Denise M. Johnson, and Peggy A. Golden (1996), "Enhancing Perceived Learning within the Simulated Marketing Environment," *Marketing Education Review*, Vol. 6, No. 2 (Summer), 1-9.

Magill, Sharon, Scott D. Johnson, Robert M. Barker, and Jeffrey S. Bracker, (1996), "The Bottom-up Mission Process in Professional Service Organizations: A Case Study," *Journal of Strategic Change*, Vol. 5, No. 2 (March-April), 63-73.

Johnson, Denise M. and Scott D. Johnson (1993), "One Germany, But is there a Common German Consumer? East-West Differences for Marketers to Consider," *The International Executive*, Vol. 35, Number 3, May/June, 211-228.

Zinn, Walter and Scott D. Johnson (1990), "The Commodity Approach in Marketing Research - Is it Really Obsolete?," *Journal of the Academy of Marketing Science*, Volume 18, Number 4., 345-353.

Page Jr., Thomas J., Pat Daugherty, Dogan Eroglu, David E. Hartman, Scott D. Johnson and Doo-Hee Lee (1988), "Measuring Emotional Response to Advertising: A Comment on Stout and Leckenby," *Journal of Advertising*, Volume 17, Number 4, 49-52.

Book Chapters

Johnson, Scott D. and Denise M. Johnson (1995), "Eco-Attitudes and Eco-Behaviors in the New German States: A 1992 Perspective," in *Advances in Environmental Marketing*, New York: The Haworth Press, 101-118.

Book Reviews

Johnson, Scott D. (1997), Book Review of *Culture Clash: Managing in a Multicultural World*, Chicago, IL.: NTC Business Books, in *Journal of Consumer Marketing*, Vol. 14, Number 1, 94-95.

Conference Proceedings

Johnson, Scott D. (1999), "Perceived Commerciality of Direct Selling Parties, Proceedings of the American Marketing Association, Marketing Educators's Conference Proceedings, forthcoming.

O'Loughlin, Michael R. and Scott D. Johnson (1996), "Strategic Issues for G.E. Appliance in Eastern Europe: A Case Study," *Proceedings of the 4th Annual Conference on Marketing Strategies for Entering Central and Eastern Europe*, December 4-6, Vienna, Austria, editors, Petr Chadraba and Reiner Springer.

Johnson, Denise M., Scott D. Johnson and Gerrit P. van Nederpelt (1994), "Generalized Attitudes Toward Advertising in Newly Emerging Market Economies: A Comparative Analysis of East and West German Consumers," *Proceedings of the 2nd Annual Conference on Marketing Strategies for Entering Central and Eastern Europe*, December 1 & 2, Vienna, Austria, editors, Petr Chadraba and Reiner Springer.

1992 International Travel Grant, funded by the International Committee, School of Business, UofL.

1992 Graduate School Research Funding; Provost Office Research Funding; Department of Marketing Research Funding; School of Business Research Funding, UofL.

PRESENTATIONS

"Perceived Commerciality of Direct Selling Parties," at the American Marketing Association Marketing Educators's Conference, San Francisco, August , 1999.

"Cooperative Educational Opportunities within the College of Business and Public Administration," October 9, 1998, [illegible]

BEST AVAILABLE COPY

OTHER SERVICE ACTIVITIES/AWARDS

Hospice of Louisville, Development Committee Member, 1997-present
UofL College of Business and Public Administration Service Award, 1993 and 1997.
Metro United Way: Allen Society Community Service Award Winner, 1997.
UofL Faculty Senator representing the CBPA, 1997-2000.
UofL Logistics Initiative Task Force and Recruiting Committee, 1997-1998.
MBA Recruiting in Paris, France, and Berlin, Germany, in conjunction with "MBA Events," December 1997.
UofL Metro United Way Steering Committee Co-Chair, 1996 Campaign.
Louisville Metro United Way, Communications Committee, 1995 - 1997.
Lincoln Elementary School Family Resource Center Council Member, 1994-1995.
Bicentennial Campaign Marketing Advisory Committee, University of Louisville, 1994-1995.
Phi Beta Kappa Association of Kenruckiana, Secretary, Louisville, Kentucky, 1992-present.
CBPA Computing Committee, 1994-95.
Mission/Vision Task Force Committee, College of Business and Public Administration, UofL, 1993.
Metro United Way Liaison for the College of Business and Public Administration, UofL, 1992-present.
University Employee Suggestion Committee, University of Louisville, 1992-1994.
Student Awards Committee, College of Business and Public Administration, UofL, 1991-1995.
Rauch Planetarium Community Advisory Committee, Louisville, Kentucky, 1991-94.
"Ask the Experts" column editor, Kentuckiana Business Guide, 1993.
Bell South Consumer Advisory Board, Bell South Advertising and Publishing, Atlanta, Georgia, 1991-92.
Numerous television news appearances and newspaper interviews in conjunction with marketing related issues.

BUSINESS CONSULTATION

Mafcote Industries, Expert Witness, Trademark opinion
Bank of Louisville - Shopper Study
Coopers & Lybrand - Atlanta, Market Scanning Study
Bell South - Market Studies
Bullet County Tourism Commission - Development Studies
Harry K. Moore Co. - Database Development
Holland Income Tax/Middleman & Reutlinger - Expert Witness, Trademark opinion
Mapping Insights, Inc. - Marketing Planning
Wilkerson & Associates - Research Reporting
Horizon Research International - Conjoint Analysis Study

ACADEMIC POSITIONS

1998 - present
Associate Professor of Marketing
Chairman - Department of Marketing
College of Business and Public Administration, University of Louisville

1997 - 1998
Associate Professor of Marketing
Marketing Discipline Lead (1996-1997)
College of Business and Public Administration, University of Louisville

1991-1997
Assistant Professor of Marketing
College of Business and Public Administration, University of Louisville

1988-1991
Assistant Professor of Marketing
Grand Valley State University, Allendale, Michigan

1984-1988
Graduate Assistant and Research Assistant
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updated May 4, 1999

UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF KENTUCKY

V SECRET CATALOGUE, INC. VICTORIA'S SECRET STORES, INC. and VICTORIA'S SECRET CATALOGUE, INC., Plaintiffs, v. VICTOR MOSELEY and CATHY MOSELEY d/b/a VICTOR'S LITTLE SECRET (formerly VICTOR'S SECRET), Defendants.	:	Civil Action No. 3:09cv-395-S (Charles R. Simpson, C.J.)

AFFIDAVIT OF COLONEL JOHN E. BAKER

STATE OF KENTUCKY)
: ss.:
COUNTY OF HARDIN)

JOHN E. BAKER, being duly sworn, deposes and says:

1. I am the Staff Judge Advocate for the U.S. Army Armor Center and Fort Knox, located in Fort Knox, Kentucky. I have served as an attorney since 1979, and am admitted to the United States Supreme Court, the United States Court of Appeals for the Armed Forces, the United States Army Court of Criminal Appeals, the United States District Court for the District of Maine, and the Maine Supreme Judicial Court.

2. In addition to my experience as a practicing attorney, I have served as a professor or instructor at the Walter Reed Army Medical Center, the United States Military Academy at

West Point and Florida State University. I have also authored several academic articles, and served as a Law Review editor at my law school.

3. During my twenty years as an attorney, I have been exposed to and gained a certain degree of knowledge of intellectual property law, particularly while serving as a staff attorney at the United States Military Academy.

4. Inside the Turret is a weekly publication distributed to residents of the U.S. Army Armor Center and Fort Knox. Inside the Turret is published by and contains much of the same editorial and advertising content as the News-Enterprise, a newspaper distributed to residents of Elizabethtown, Kentucky.

5. While reading the February 12, 1998 edition of Inside the Turret, I came across an advertisement announcing the grand opening of Victor's Secret. The advertisement appeared as follows:

6. My immediate impression upon viewing this ad was to note the very close similarity of Victor's Secret to VICTORIA'S SECRET and to conclude that the similarity was far too close. As

an attorney with knowledge of intellectual property law, I was both professionally and personally offended by defendants' use of a bona fide, reputable company's trademark to promote defendants' unwholesome, tawdry merchandise--that is, "adult" novelties and gifts.

7. Moreover, since my wife, Lynn, and seventeen-year-old daughter, Molly, both shop at VICTORIA'S SECRET, I was further dismayed by defendants' effort to associate itself with, trade off on the image of, and in fact denigrate a store frequented by members of my family.

8. In subsequent conversations with my family, my friends and my coworkers, they, too, remarked on the similarity between Victor's Secret and VICTORIA'S SECRET, and several commented that defendants' use of Victor's Secret was unfair and improper.

9. Because I was so offended by what I perceived as a potentially damaging use of a trademark similar to that of VICTORIA'S SECRET, on February 12, 1998 I contacted plaintiffs' offices in Columbus, Ohio and, at their request, I faxed the ad to Victoria's Secret Stores, Inc. on that same day.

10. About a month or two after my communications with Victoria's Secret, I observed that Victor's Secret had changed its name to Victor's Little Secret. In my personal opinion, this minor and inconsequential name change added insult to injury. Defendants' store, with a name so similar to VICTORIA'S SECRET, is likely to capture the attention of consumers. It is my personal

opinion that it is unjust that a reputable company such as VICTORIA'S SECRET is being exploited in this manner.

11. This affidavit reflects my personal views and opinions. It does not necessarily reflect views of the U.S. Army Armor Center or the Department of the Army, which, as far as I know, has taken no position on this matter.

John E. Baker
Colonel, U.S. Army

Sworn to before me this
9th day of April, 1999

Notary Public

Carol J. Padgett, Notary Public
State at Large
Kentucky
My Commission Expires Nov. 30, 2002

(7)

No. 01-1015

Supreme Court, U.S.
FILED
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In The

Supreme Court of the United States

VICTOR MOSELEY and CATHY MOSELEY,
d/b/a VICTOR'S LITTLE SECRET,

Petitioners,

v.

V SECRET CATALOGUE, INC.,
VICTORIA'S SECRET STORES, INC., and
VICTORIA'S SECRET DIRECT, LLC,

Respondents.

On Writ Of Certiorari
To The United States Court Of Appeals
For The Sixth Circuit

PETITIONERS' BRIEF ON THE MERITS

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QUESTION PRESENTED

Whether the plain meaning of the operative phrase "causes dilution of the distinctive quality of the mark," read in pari materia with the definition of dilution as "the lessening of the capacity of a famous mark to identify and distinguish goods and services," requires objective proof of actual injury to the economic value of the famous mark (as opposed to a presumption of harm arising from a subjective "likelihood of dilution" standard) as a precondition to any and all relief under the Federal Trademark Dilution Act.

PARTIES TO THE PROCEEDING

Petitioners

Petitioners are Victor Moseley and Cathy Moseley, d/b/a Victor's Little Secret (of which they are co-owners and sole proprietors) having their principal office and place of business in the Western District of Kentucky. Petitioners were the Defendants in the District Court, and the Defendants-Appellants in the Court of Appeals for the Sixth Circuit.

Respondents

Respondents, V Secret Catalogue, Inc.; Victoria's Secret Stores, Inc.; and Victoria's Secret Direct, LLC (formerly Victoria's Secret Catalogue, Inc.) are a group of wholly-owned subsidiaries of Intimate Brands, Inc., a publicly held Delaware corporation. Respondents are "related compan[ies]" as that term is defined in Lanham Act § 45, 15 U.S.C. § 1127. Respondents were the Plaintiffs in the District Court, and the Plaintiffs-Appellees in the Court of Appeals for the Sixth Circuit.

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OPINIONS AND ORDERS BELOW

This Court's order granting certiorari is published at 70 U.S.L.W. 3639, 2002 U.S. LEXIS 2357 (April 15, 2002).

The opinion of the United States Court Of Appeals for the Sixth Circuit is reported at 259 F.3d 464, and is reproduced in the Appendix to the Petition for Certiorari ("Pet. App."), at 1a-27a. The Sixth Circuit's order denying a timely petition for rehearing and suggestion for rehearing en banc is unreported at present, and is reproduced at Pet. App. 43a.

The opinion and order of the United States District Court for the Western District of Kentucky is reported only at 54 U.S.P.Q.2d 1092, and is reproduced at Pet. App. 28a-42a.

JURISDICTION

The opinion of the United States Court Of Appeals for the Sixth Circuit was filed on July 30, 2001. That court denied a timely petition for rehearing and suggestion for rehearing en banc on October 4, 2001. The petition for a writ of certiorari was filed on January 2, 2002. This Court granted the petition for writ of certiorari on April 15, 2002.

The court of appeals had jurisdiction under 15 U.S.C. § 1121 and 28 U.S.C. § 1291. The district court's jurisdiction was based on 15 U.S.C. § 1121 and 28 U.S.C. §§ 1331 and 1338(a) and (b).

This Court's jurisdiction is based on 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

Lanham Act Section 43(c)(1), 15 U.S.C. § 1125(c)(1) ("§43(c)(1)"), enacted by the Federal Trademark Dilution Act ("FTDA"), provides in relevant part (emphasis added):

> The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and *causes dilution* of the distinctive quality of the mark, and to obtain such other relief as is provided in this subsection. . . .

Lanham Act Section 45, 15 U.S.C. § 1127, enacted by the FTDA, provides in relevant part (emphasis added):

> *Dilution.* The term "dilution" means the *lessening* of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of – (1) competition between the owner of the famous mark and other parties, or (2) likelihood of confusion, mistake or deception.

Lanham Act Section 32(1), 15 U.S.C. § 1114(1) ("§32"), which sets forth claims for infringement of registered trademarks, provides in relevant part (emphasis added):

> Any person who shall, without the consent of the registrant . . . use in commerce any [registered mark] in connection with . . . any goods or services on or in connection with which such use *is likely to cause* confusion, or to cause mistake, or to deceive . . . shall be liable in a civil action by the registrant for the remedies hereinafter provided.

Lanham Act Section 43(a)(1)(A)-(B), 15 U.S.C. § 1125(a)(1)(A)-(B) ("§43(a)"), which sets forth claims for unregistered trademark infringement, federal "unfair competition" (*i.e.*, false suggestion of affiliation or sponsorship), and false advertising, provides in relevant part (emphasis added):

> Any person who, or in connection with any goods or services . . . uses in commerce any [mark] which . . . *is likely to cause* confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval or his or her goods, services, or commercial activities by another person . . . , shall be liable in a civil action by any person who believes that he or she *is* or *is likely to be* damaged by such act.

STATEMENT OF THE CASE

At the outset, Petitioners state that this is *not* a case about the quality or character – or the source – of the Petitioners' lingerie or other goods. It is a case presenting purely a question of law about the quality and character – and meaning – of the words Congress chose to use in the operative sections of the FTDA. Nevertheless, since Respondents have continuously portrayed Petitioners as purveyors of "adult videos," "sex toys," "adult novelties," and the like (*see* Respondents' Br. in Opp'n to Pet. for Cert. at 2), Petitioners set forth the following Statement of the Case to frame the question presented to this Court.

In late 1997, Petitioner Victor Moseley became unemployed. Joint Appendix ("JA") 40. With Victor's unemployment benefits nearly exhausted, he and his wife, Petitioner Cathy Moseley ("the Moseleys") decided to open their own business. JA 40-41. In early February 1998, using savings and personal credit cards as capital, the Moseleys opened a gift and novelty shop in a strip mall in Elizabethtown, Kentucky. JA 42-44.

Because they wanted to keep their new business secret from Victor's most recent employer, the Moseleys named their business "VICTOR'S SECRET." JA 131.

Consistent with their slogan "Everything for Romantic Encounters" (*see* R. 28, Exh. 10), the store (roughly 1200 square feet in size) displays and sells a wide variety of items, including lingerie, jewelry, incense, lycra dresses, leather outfits, and accessories. A portion of the store's inventory is adult videos and novelties (JA 43-49, 127-30), which are kept in a restricted 8 by 10 foot room at the back of the store. JA 49. Nothing in the Record indicates that Petitioners have ever been accused by law enforcement officials of selling "illegal" or "obscene" items.

The Moseleys advertised the opening of their store in local newspapers (JA 58), and also in "Inside The Turret," the newspaper of nearby U.S. Army base Fort Knox. *See* JA 209. The ad in The Turret caught the attention of Col. John E. Baker in the Judge Advocate General ("JAG") corps. *See* JA 208-11. There is no evidence in the Record that Col. Baker ever visited the Moseleys' store. Nevertheless, he contacted and faxed the ad on JAG stationery to the corporate headquarters of Victoria's Secret. JA 188-89, 210. On February 25, 1998, counsel for Respondents sent the Moseleys a cease-and-desist letter, asserting that the Moseleys' use of "VICTOR'S SECRET" violated Respondents' rights in their federally registered mark VICTORIA'S SECRET® and also diluted the VICTORIA'S SECRET® mark. JA 11-12. After receipt of that letter, the Moseleys changed their business name to VICTOR'S LITTLE SECRET and added a design, a pair of lips with an index finger pressed thereagainst, as if to say "shhh." The revised business name appeared as follows:

VICTOR'S LITTLE SECRET

See R. 28, Exh. 10. On the exterior sign of the Moseleys' store, the lips (and the word "LITTLE") appear approximately four feet across. R. 28, Exh. 11.

The change to VICTOR'S LITTLE SECRET was not acceptable to Respondents, who on June 22, 1998 sued the Moseleys in U.S. District Court for the Western District of Kentucky. JA 15-28. The complaint asserted four causes of action: [1] infringement of Petitioners' registered trademarks under §32 of the Lanham Act; [2] violation of §43(a) of the Lanham Act; [3] *pertinent to the question presented here*, dilution of the famous VICTORIA'S SECRET mark under the §43(c)(1) of the FTDA; and [4] unfair competition and infringement of Respondents' common law rights in and to the mark VICTORIA'S SECRET. *Id.*

After discovery, the Moseleys moved for summary judgment on all counts of the Complaint. R. 28. Respondents cross-moved for summary judgment only on Count III, the FTDA count, thereby manifesting the parties' agreement that no issue of material fact existed regarding FTDA dilution. R. 32. Of particular pertinence to the certified question under the FTDA here, the Moseleys noted the absence of any record evidence that their use of VICTOR'S LITTLE SECRET had caused actual damages to Respondents.[1] Respondents did not argue on summary judgment that there were issues of fact regarding actual harm to the VICTORIA'S SECRET mark.

The district court granted summary judgment in favor of the Moseleys on the federal trademark (§32) claim, the federal unfair competition/false designation of origin (§43(a)) claim and the common law claims. The district

[1] Indeed, deposition testimony of Respondents' witnesses established the contrary. *See* JA 105-06, 112, 114.

court held that the evidence presented showed that the Moseleys' use of VICTOR'S LITTLE SECRET compared to Respondents' VICTORIA'S SECRET mark was not likely to cause confusion, mistake, or deception. Pet. App. 36a-37a. However, the district court ruled against Petitioners and in favor of Respondents on the dilution count. The district court held that VICTOR'S LITTLE SECRET diluted the VICTORIA'S SECRET mark, both by blurring and by tarnishment. Pet. App. 38a-39a. The district court held that VICTOR'S LITTLE SECRET was "sufficiently similar" to VICTORIA'S SECRET to dilute by blurring. Pet. App. 39a. As for dilution by tarnishment, the district court agreed that the Moseleys' inventory was non-confusing compared to Respondents' goods, but (as urged by Respondents), characterized the Moseleys inventory as including "adult videos," "sex toys" and "adult novelties." *Id.* Without further elaboration, and without citation to any Record evidence, the district court concluded that the Moseleys' inventory, while "not . . . unsavory to all," had a "more risque" quality that "widely differentiates" it from the goods of Respondents, and enjoined the Moseleys from using VICTOR'S LITTLE SECRET "or any similar mark" because it "causes dilution of the distinctive quality" of Respondents' VICTORIA'S SECRET mark. Pet. App. 41a-42a.

The Moseleys appealed the district court's decision to the Court of Appeals for the Sixth Circuit; Respondents did not cross-appeal.[2] On appeal, the Moseleys argued that the inability of Respondents to present evidence of actual

[2] This means that the district court's summary judgment on the §32, §43(a) and common law counts, that VICTOR'S LITTLE SECRET does not cause a likelihood of confusion, mistake, or deception when compared to VICTORIA'S SECRET, constitutes conclusive "law of the case" and is no longer in issue in this case.

harm entitled them to judgment as a matter of law under *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449 (CA4 1999), *cert. denied*, 528 U.S. 923 (1999) ("*Ringling Bros.*"). R. 6/12/00 (CA6), Proof Brief of Appellant at 6, 13, 19-21. Respondents principally argued[3] that such proof was not necessary for dilution relief, citing *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208 (CA2 1999) ("*Nabisco*"). R. 7/10/00 (CA6), Proof Brief of Appellee at 33-35.

The Sixth Circuit, while acknowledging that a "split" exists among the Circuit Courts which had addressed the issue, rejected the Fourth Circuit's holding in *Ringling Bros.* Pet. App. 23a-25a. Instead, the court followed the Second Circuit's holding in *Nabisco*, which indulges in a presumption that there will be future harm to the senior mark and therefore merely requires proof of "likelihood of dilution". *Id.* The Sixth Circuit held there was "sufficient similarity" (Pet. App. 14a, n.3) between VICTOR'S LITTLE SECRET and VICTORIA'S SECRET to "conjure an association" (*id.*), which led the Sixth Circuit to an "inference of likely harm" (Pet. App. 25a). The Sixth Circuit therefore affirmed the injunction based on dilution by both blurring and tarnishment (Pet. App. 26a-27a).

The Moseleys filed a timely petition for rehearing and a suggestion of en banc review, which was denied on

[3] Respondents did argue that, if actual harm was necessary, the (single, contested, *see* R. 34 at 7-9) affidavit of Col. Baker showed sufficient actual harm. However, the district court declined to consider that affidavit and others (Pet. App. 29a), so it and the other contested affidavits were not properly before the Sixth Circuit. Respondents also argued that the district court's finding of tarnishment established actual harm, *ipso facto*. The Sixth Circuit, however, noted that the district court's analysis was "truncated" (Pet. App. 15a), and "harm" formed no part of its decision.

October 4, 2001. (Pet. App. 43a). Thereafter, the Moseleys filed their Petition for Writ of Certiorari on January 2, 2002, which this Court granted on April 15, 2002.

SUMMARY OF THE ARGUMENT

To properly decide the certified question, the FTDA must be viewed in historical and chronological context. Although the FTDA is part of the Lanham Act dealing with trademarks, the concept of "dilution" is not founded on traditional trademark principles; rather, dilution is a property right created by statute.

Trademark law is part of the law of unfair competition, grounded in the common law tort of deceit. The premise of trademark law is to protect consumers from a merchant passing his goods off as those of another by use of a confusingly similar mark. *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 402 (1916); *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90 (1918). Trademark rights do not and cannot exist "in gross" apart from such goodwill, and a trademark cannot confer any property right or "monopoly" in its terms. *Prestonettes, Inc. v. Coty*, 264 U.S. 359 (1924).

The Lanham Act (15 U.S.C. § 1051 *et seq.*), which created a federal cause of action for infringement of a registered mark, was enacted in 1946 before there were any state dilution statutes. In enacting the Lanham Act, Congress chose the standard *likely to cause* to impose liability for infringement, in §32 and §43(a).

Dilution has no basis or foundation in the common law. The dilution concept has its genesis in a 1927 law review article by Prof. Frank Schechter. Prof. Schechter's dilution concept was considered radical, and no statute has ever embraced it; even the first state dilution statute, 20 years after the law review article, did not fully adopt Prof. Schechter's dilution rationale. Unlike the legal

premise for traditional trademark rights (which protect the consumer's expectation that the trademark functions as a symbol of source ownership), "dilution" rights protect the mark itself and/or its owner, without regard to whether confusion is present. Virtually all state dilution statutes impose dilution liability based on *likelihood* of dilution, as does the RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 25.

In 1995 as it considered the FTDA, Congress was aware: that the Lanham Act imposed liability for trademark infringement based on a *likelihood* of confusion (§32); that the Lanham Act imposed §43(a) liability also based on a *likelihood* of confusion; that Lanham Act § 43(a) authorized a civil action for one who believed he *is* or *is likely to be* damaged by a certain mark; that state dilution statutes imposed dilution liability based on a *likelihood* of dilution; that the RESTATEMENT (THIRD) OF UNFAIR COMPETITION also assessed liability for state-law dilution under a *likelihood* of dilution; and that Prof. Schechter urged dilution legislation to protect against "the gradual whittling away" of a trademark's distinctiveness, but no statute had ever adopted that rationale.

In this context, Congress authorized injunctive relief under the FTDA if a challenged mark *causes dilution*. Congress' use of the term *causes dilution* was deliberate, and cannot reasonably be interpreted (as did the Sixth Circuit below) as intending to impose dilution liability based on a *likelihood of dilution*. This Court's "plain meaning" rule must operate to hold that Congress meant what it said when it used *causes dilution* in §43(c)(1). *Lake County v. Rollins*, 130 U.S. 662 (1889); *Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189 (1985). The plain meaning of *causes* is "To be the cause or occasion of; to bring into existence; to make; To induce; to compel." BLACK'S LAW DICTIONARY 278 (4th ed. 1968); "To bring

about or effect." BLACK'S LAW DICTIONARY 213 (7th ed. 1999). This is what Congress meant when it wrote "causes dilution" into §43(c)(1) of the FTDA.

When Congress creates a property right in other intellectual property contexts (*e.g.*, patent or copyright), that right must be limited in time under Article I, § 8, cl. 8 of the Constitution. In contrast, the dilution right of the FTDA is unlimited as to time. As such, the FTDA must be applied in a manner avoiding a "patent in a word," as well as consistent with First Amendment concerns, to avoid an anti-competitive statute.

The Fourth Circuit in *Ringling Bros.*, by interpreting the FTDA's term *causes dilution* to require "proof of actual consummated harm" to the famous trademark, struck the proper balance between free competition, the public and a trademark owner's rights. This creates an objective standard which is predictable and adheres to this Court's plain meaning rule. *Accord*, *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658 (CA5 2000) ("*Westchester*").

In contrast, the Second Circuit in *Nabisco* held that "it seems plausibly within Congress' meaning to understand the statute as intending to provide for an injunction to prevent harm before it occurs." This is error and an assault on the actual language ("causes dilution") of the FTDA. *Nabisco* violates this Court's plain meaning rule, is unavoidably *un*predictable, and invites the mischief of subjective jurisprudence. Below, the Sixth Circuit took that error even further, allowing an injunction based on an "inference of likely harm."

The proper interpretation of the FTDA is to require proof of actual harm to the famous mark as a prerequisite to FTDA relief. Pejorative characterization of Petitioners' inventory as "sex toys" and the like should not substitute

for the legal proof required by the *causes dilution* term of §43(c)(1) of the FTDA. Accordingly, the judgment of the Sixth Circuit should be reversed.

ARGUMENT

I. IN THE FTDA, CONGRESS ESTABLISHED A STATUTORY PROPERTY RIGHT, UNLIMITED IN TIME, IN FAMOUS TRADEMARKS, RADICALLY DIFFERENT FROM RIGHTS TRADITIONALLY RECOGNIZED UNDER THE LAW OF TRADEMARKS.

A. TRADITIONAL TRADEMARK LAW, GROUNDED IN THE COMMON LAW TORT OF DECEIT, PROTECTS CONSUMERS FROM SOURCE CONFUSION, WHILE AVOIDING MONOPOLIES ON THE USE OF WORDS.

In *Hanover Star Milling Company v. Metcalf*, 240 U.S. 403, 412-13 (1916), this Court instructed that the purpose of trademark law is to protect the goodwill of the business signified by the trademark against deceptive uses for like goods: "The essence of the wrong consists in the sale of the goods of one manufacturer or vendor for those of another." Two years later, in *United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 97 (1918), this Court rejected the postulation that "a trade-mark right is a right in gross or at large, like a statutory copyright or a patent for an invention." This Court reasoned that "There is no such thing as property in a trademark except as a right appurtenant to an established business or trade in connection with which the mark is employed." *Id.*

Moreover, in *Rectanus* this Court warned against anti-competitive uses of trademarks: "The owner of a trade-mark may not, like the proprietor of a patented invention, make a negative and merely prohibitive use of it as a monopoly. [Citation omitted.] In truth, a trade-mark

confers no monopoly whatever in a proper sense, but is merely a convenient means for facilitating the protection of one's good-will in trade by placing a distinguishing mark or symbol – a commercial signature – upon the merchandise or the package in which it is sold." *Id.* at 98. In *Prestonettes, Inc. v. Coty,* 264 U.S. 359, 368 (1924), Justice Holmes, writing for this Court, explained this limited scope of protection afforded by trademark law: "It does not confer a right to prohibit the use of the word or words. It is not a copyright. . . . A trade mark only gives [the] right to prohibit the use of it so far as to protect the owner's good will against the sale of another's product as his."

This Court in *Hanover Star* stated that the common law of trademarks is but a part of the broader law of unfair competition. 230 U.S. at 413. In turn, the law of unfair competition "has its roots in the common-law tort of deceit: its general concern is with protecting *consumers* from confusion as to source." *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 157 (1989). Indeed, one commentator has written that the consumer protection model is the *only* rational basis for trademark protection. *See* Robert N. Klieger, *Trademark Dilution: The Whittling Away of the Rational Basis for Trademark Protection*, 58 U. PITT. L. REV. 789, 852 (1997) ("KLIEGER").

B. THE DILUTION CONCEPT, FIRST PROPOSED IN THE 1920S, IS GROUNDED IN A STATUTORILY-CREATED PROPERTY RIGHT "IN GROSS" IN TRADEMARKS AKIN TO THE PRINCIPLES OF "PROPERTY" PER SE.

In the late 1920s, the concept of trademark "dilution" (as distinct from trademark infringement) was suggested in a law review article by Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813 (1927) ("SCHECHTER"). Schechter argued that "the preservation of the uniqueness of a trademark . . . constitutes the only rational basis for its protection," and that "dilution" of a trademark's uniqueness (from which it derived its advertising value and selling power) should be prohibited. SCHECHTER at 831. Schechter argued that the law should protect against "the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use upon non-competing goods." *Id.* at 825.

Commentators have recognized Schechter's dilution concept as akin to a property right in gross, in the nature of trespass to property. *See* Gerard N. Magliocca, *One and Inseparable: Dilution and Infringement in Trademark Law*, 85 MINN. L. REV. 949, 961 (2001) ("Since dilution focuses on the marks themselves rather than on consumers, the concept is characterized as more akin to trespass than to consumer protection law"); KLIEGER at 851-64 (Dilution law gives rise to trademark rights in gross, posing an anti-competitive threat to market efficiency and consumer welfare); *see also* 2 JEROME GILSON, TRADEMARK PROTECTION & PRACTICE ("GILSON") § 5.12 [1][a], at 5-227-28 (2001) ("The public policy underlying the Act [FTDA] stands in sharp contrast to that underlying the law of trademark infringement. The [FTDA] protects only a private interest, and a narrow one at that: the distinctiveness of the owner's famous trademark. At least in cases where there is no simultaneous likelihood of confusion, there seems to be no identifiable benefit to the public").

Other commentators have criticized the dilution concept as antithetical to the carefully balanced trademark law principles that foster a free and fair marketplace. KLIEGER at 861 ("Dilution law expressly

reorients trademark law around the protection of the persuasive function of trademarks and, in doing so, upsets trademark law's historic balance between free and fair competition"); Milton W. Handler, *Are the State Antidilution Laws Compatible With the National Protection of Trademarks?*, 75 TRADEMARK REP. 269, 280-81 (1985) (questioning the rationale of dilution doctrine); Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 YALE L.J. 1687, 1695-96 (1999) ("Vesting trademarks with the mantle of property ... defeats the purpose of linking trademarks to goods in the first place"); Kenneth L. Port, *The "Unnatural" Expansion of Trademark Rights: Is A Federal Dilution Statute Necessary?*, 18 SETON HALL LEGIS. J. 433, 486-87 (1994) (dilution protects trademarks analogous to "copyrightable subject matter," and protects how trademarks are perceived in the minds of consumers, creating "monopolies in ideas in the abstract" and enhancing barriers to new competition in both related and unrelated markets).

C. THE LANHAM ACT, ENACTED IN 1946 AND SUBSTANTIALLY AMENDED IN 1989, IS A FEDERAL CODIFICATION OF THE COMMON LAW OF TRADEMARKS EMPLOYING A "LIKELIHOOD OF CONFUSION" STANDARD FOR TRADEMARK INFRINGEMENT AND UNFAIR COMPETITION LIABILITY.

Congress enacted the Lanham Act in 1946, but *without* Schechter's proposal for protection against trademark dilution. The Lanham Act created a *federal* cause of action for infringement of a registered mark against a challenged mark which "*is likely to cause* confusion, or to cause mistake, or to deceive." §32(1)(a) (emphasis added).

By the Trademark Law Revision Act ("TLRA," Pub. L. No. 100-667, 102 Stat. 3935), Congress amended the Lanham Act in 1988 to expressly include liability for infringement of unregistered marks, as well as false advertising, false designations of origin, and unfair competition. *See* 102 Stat. 3946; §43(a). Here also, Congress employed the phrase "*likely* to cause confusion." *Id.* Congress also provided a civil remedy under §43(a) in favor of any person who "believes he or she *is* or *is likely to be* damaged" by the accused mark. *Id.* (emphasis added).

D. PRE-FTDA STATE DILUTION STATUTES EMPLOY A "LIKELIHOOD OF DILUTION" STANDARD FOR LIABILITY.

Twenty years after Schechter's article and one year after the Lanham Act, Massachusetts enacted the first state dilution statute. *See* RESTATEMENT (THIRD) OF UNFAIR COMPETITION ["RESTATEMENT (THIRD)"] § 25, comment b, at 266 (1995). Presently, 34 states have enacted dilution statutes.[4] Paul E. Kim, *Comment: Preventing Dilution of the Federal Trademark Act: Why the FTDA Requires Actual Economic Harm*, 150 U. PA. L. REV. 719, 726 n.35 (2001) ("KIM"). Dilution statutes generally protect the commercial value or "selling power" of a mark by prohibiting uses that are *likely* to dilute the distinctiveness of the mark or tarnish the associations evoked by the mark. RESTATEMENT (THIRD) § 25, comment a, at 265; comment f, at 270. Thus, unlike traditional trademark and unfair competition laws aimed at protecting both consumers and trademark owners, dilution

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[4] Kentucky, the forum state of the litigation below, does not have a dilution statute, so this case presents purely federal FTDA questions.

statutes are *only* aimed at protecting famous marks and their owners.

Dilution is purely a creature of statutory creation: "There is no comparable cause of action for trademark dilution at common law." RESTATEMENT (THIRD) § 25, comment a, at 266. Because the FTDA had not been enacted at the time the RESTATEMENT (THIRD) was published, the comments therein on dilution are restricted to *state* dilution laws. In turn, many state dilution statutes are based on or are similar to Section 12 of the 1964 United States Trademark Association (USTA) Model State Trademark Bill, which states (emphasis added): "*Likelihood of . . . dilution* of the distinctive quality of a mark . . . shall be a ground for injunctive relief notwithstanding the absence of competition between the parties or the absence of confusion as to the source of goods or services." 3 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS & UNFAIR COMPETITION ("MCCARTHY") § 22:8 (2002); 4 MCCARTHY § 24:80 (2002).

The RESTATEMENT (THIRD), published before enactment of the FTDA, also uses the phrase "is likely to" throughout, unlike the later-enacted FTDA. Section 25 of RESTATEMENT (THIRD) ("Liability Without Proof of Confusion: Dilution and Tarnishment") provides, in pertinent part (emphasis added):

> (1) . . . An actor is subject to liability under [a dilution] statute if the actor uses such a designation in a manner that *is likely to associate* the other's mark with the goods, services, or business of the actor and:
>
> > (a) the other's mark is highly distinctive and the association of the mark with the actor's goods, services or business *is likely to cause* a reduction in that distinctiveness; or

> > (b) the association of the other's mark with the actor's goods, services or business, or the nature of the actor's use, *is likely to disparage* the other's goods, services or business *or tarnish* the images associated with the other's mark.

Thus, the RESTATEMENT (THIRD) dilution provision illuminates the difference between the text of state dilution laws and the FTDA.

E. CONGRESS, WHEN AMENDING THE LANHAM ACT IN 1988, CONSIDERED BUT REJECTED A DILUTION PROVISION.

The FTDA was not the first attempt of Congress to enact a federal trademark dilution statute. In the 1988 TLRA, Congress considered, but after much debate, declined to pass a dilution provision as part of the TLRA. It is notable that one of the amendments to the Lanham Act that Congress *did* enact in the TLRA was a revision to §43(a) using the same language as §32 to impose liability (*i.e.*, "*likely* to cause confusion").

By contrast, in 1996 the FTDA legislation was enacted quickly. Only the House issued a report on its version of the bill, after holding brief hearings. *See* House Report 104-374 (Nov. 30, 1995). These hearings were hardly comprehensive, nor did they represent all points of view. *See* KLIEGER at 839 ("[Counsel for Campbell Soup Company and Warner Bros. were] visibly enticed by the promise of corporate windfall, treating dilution doctrine at least implicitly as if it were intended to create trademark rights in gross"). Moreover, the House Subcommittee did not hear from a single trademark scholar or economist. *Id.* The Senate held no hearings on dilution legislation, took up the House bill on a suspension of the rules, and passed

the House bill on a voice vote without debate. BNA's PATENT, TRADEMARK & COPYRIGHT J., Vol. 51, at 336 (January 4, 1996).

F. THE FTDA VASTLY EXPANDS RIGHTS IN A FAMOUS MARK, BEYOND TRADITIONAL TRADEMARK RIGHTS, BUT WITHOUT THE SAFEGUARDS ON MARKETPLACE COMPETITION APPLICABLE TO FEDERAL INTELLECTUAL PROPERTY RIGHTS IN THE PATENT AND COPYRIGHT STATUTES AND IN TRADITIONAL FORMS OF TRADEMARK PROTECTION.

The FTDA added new statutory protection for "famous" trademarks by establishing a cause of action entitling owners of such marks to enjoin other persons' commercial use of a mark or trade name that "causes dilution." Because the FTDA establishes a property right in famous trademarks, apart from the commercial context in which such fame was achieved, the FTDA has been criticized as upsetting the historical role of trademark law in the marketplace by judiciously balancing free competition with the avoidance of consumer confusion. *See* PORT at 447 (proposed FTDA would "create a remedy without a wrong"); KLIEGER at 835 ("[t]he [FTDA], together with the state [dilution] statutes, appears destined to whittle away the traditional basis of trademark protection until trademark rights in gross displace the consumer protection model as the talisman of most trademark actions"); 2 GILSON § 5.12 [1][a], at 5-227-28 ("there seems to be no identifiable benefit to the public"). Viewed in this context, there is fear that the FTDA may lead to a "patent in a word," without any time limitation.

In *Bonito Boats*, this Court suggested that the focus of unfair competition (hence trademark) law is protection not of trademark owners, but of consumers: "While that concern may result in the creation of 'quasi-property rights' in communicative symbols, the focus is on the protection of consumers, not the protection of producers as an incentive to product innovation." 489 U.S. at 157. This focus is justified because the trademark owner makes no constitutional bargain benefitting the public in exchange for creation and enforcement of exclusive trademark rights accrued, as is the case for patents and copyrights.

As required by the Constitution, exclusive rights in patents and copyrights are limited as to time, so the temporary monopoly is counter-balanced by public and commercial benefits. Article I, § 8, cl. 8, of the Constitution gives Congress the power "[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." The subject matter of a patent is disclosed by the inventor to the public, which is free to immediately learn of the invention, then use it after the patent expires. Once a copyrighted work is published, the public has access to it, but cannot reproduce it (aside from "fair use") until the copyright expires.

As this Court recently pronounced in a patent context: "The patent laws 'promote the Progress of Science and useful Arts' by rewarding innovation with a temporary monopoly. U.S. CONST. art. I, § 8, cl. 8. The monopoly is a property right; *and like any property right, its boundaries should be clear.*" *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. ___, 70 U.S.L.W. 4458, Slip. Op. at 5 (May 28, 2002) (emphasis added).

As this Court in *Bonito Boats* explained, "Congress may not create patent monopolies of unlimited duration, nor may it 'authorize the issuance of patents whose effects are to remove existent knowledge from the public domain, or to restrict free access to materials already available'" 489 U.S. at 146 (*quoting Graham v. John Deere Co.*, 383 U.S. 1, 6 (1966)). Likewise, this Court rejected copyright protection for mere "sweat of the brow," if the work is not otherwise of sufficient originality to satisfy the Copyright Clause of the Constitution. *See Rural Tel. Serv. Co. v. Feist Publications, Inc.*, 499 U.S. 340, 352-356 (1991).

In this context, manifestly the judgment below creates a dangerous prospect that famous trademarks will be protected as "rights in gross," unlimited as to time. *See* KLIEGER at 841 (although the FTDA "stops just short of openly endorsing trademark rights in gross, it will inevitably, at least for the category of famous marks that it protects, 'swallow up all competition in the claim of protection against trade name infringement'").

In other contexts, this Court has not hesitated to limit the scope of enforceable trademark rights when the alternative would threaten free competition in the use of trade designations, or to unsettle the balance between trademark protections and the constitutional and/or statutory limitations on other intellectual property protection. *See TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23 (2001) (proscribing "trade dress" protection for design on which patents had expired); *Wal-Mart Stores, Inc. v. Samara Bros.*, 529 U.S. 205 (2000) (inherent distinctiveness not cognizable for unregistered trade dress embodying product designs); *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159 (1995) (registration of color-only trademarks permissible only upon proof of acquired distinctiveness).

II. THIS COURT'S "PLAIN MEANING" RULE MANDATES A SHOWING OF ACTUAL HARM AS A PREREQUISITE TO FTDA RELIEF.

In interpreting the "causes dilution" standard of the FTDA, the courts below held that VICTORIA'S SECRET was diluted by "Victor's Little Secret" despite the lack of proof of actual harm to the economic value of the VICTORIA'S SECRET mark. The Sixth Circuit held that "an inference of likely harm" (Pet. App. 25a) is sufficient to impose an injunction under the FTDA. In so doing, the Sixth Circuit ignored the plain terms of §43(c)(1) that only a mark that "causes dilution" may be enjoined.

For well over a century, this Court's plain meaning rule has required that "[i]f words convey a definite meaning, which involves no absurdity, nor any contradiction of other parts of the instrument, then that meaning, apparent on the face of the instrument, must be accepted." *Lake County v. Rollins*, 130 U.S. 662, 670 (1889). Accordingly, statutory construction focuses on the language Congress enacted. *See Dept. of Housing and Urban Dev. v. Rucker*, 122 S. Ct. 1230, 1233 (2002) (relying on "plain language of the statute"). In selecting the operative words of the FTDA, Congress chose the phrase "causes dilution." The plain meaning of "cause" is: "To be the cause or occasion of; to bring into existence; to make [citations omitted]. To induce; to compel [citation omitted]." BLACK'S LAW DICTIONARY 278 (4th ed. 1968); "To bring about or effect." BLACK'S LAW DICTIONARY 213 (7th ed. 1999).

Pre-FTDA, this Court interpreted the Lanham Act under the plain meaning rule, stating that "[s]tatutory construction must begin with the language employed by Congress and the assumption that the ordinary meaning

of that language accurately expresses the legislative purpose." *Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 194 (1985). More recently, in a non-trademark context, this Court stated: "We do not start from the premise that this language is imprecise. Instead, we assume that in drafting this legislation, Congress said what it meant." *United States v. LaBonte*, 520 U.S. 751, 757 (1997).

In *Ringling Bros.*, the Fourth Circuit heeded this Court's oft-stated principles and gave effect to the plain meaning of the operative phrase "causes dilution," holding that proof of actual harm to a mark's selling power is required for relief under the FTDA; in following the Second Circuit's rationale in *Nabisco*, the Sixth Circuit below eschewed those same principles.

A. In The FTDA, Congress Used The Present Tense In Defining Both Dilution ("the lessening of the capacity . . . to identify and distinguish") And The Standard For Liability ("causes dilution").

The text of the FTDA, in plain terms, uses the present tense to state that an injunction may issue only if the commercial use of a trademark "causes dilution." This Court has considered the tense of statutory language in determining the requirements of a statute. *See Sutton v. United Air Lines*, 527 U.S. 471, 482 (1999) ("Because the phrase 'substantially limits' appears in the Act in the present indicative verb form, we think the language is properly read as requiring that a person be presently – not potentially or hypothetically – substantially limited in order to demonstrate a disability").

Likewise, "dilution" also is defined in the present tense as "*the lessening* of the capacity of a mark to identify and distinguish goods or services" (emphasis added). The

term "capacity" is not modified in terms that speak of any "future" capacity. Accordingly, in context "capacity" must be read neutrally as a capacity measured at the time a dilution claim is brought. Note also that the House Report for the FTDA states that dilution "applies when the unauthorized use of a famous mark *reduces* the public's perception that the mark signifies something unique, singular, or particular." H.R. Rep. No. 104-374 at 3 (emphasis added). Congress' use of "reduces the public's perception" in the present tense, is consistent with the present tense use of "causes dilution" in §43(c)(1).

Moreover, §43(c)(1) must be read *in pari materia* with other sections of the Lanham Act, namely §32 (15 U.S.C. § 1114) and §43(a). As so read, surely the use of the term "causes" was a deliberate choice in §43(c)(1). Both §32 and §43(a) use the term "likely to cause" in contradistinction to the term "causes." Also, in §43(a), Congress allows relief to one who believes either that he or she "is" or "is likely to be" damaged. This shows that Congress has an understanding of the meaning and efficacy of "likely to cause" as distinct from "causes" in the same statute (the Lanham Act); indeed, in the same *section* of the statute, §43. Thus, it is submitted that it is not proper for the Sixth Circuit below to interpret the FTDA as if Congress had used one phrase (an inference of "likely harm") when in fact it used another ("causes dilution"). A court's responsibility is to apply a statute as written, not to "repair" a statute under the guise of making it consistent with alleged "legislative intent."

B. Congress Deliberately Used The Statutory Phrase "causes dilution" In The FTDA, Departing From The Pre-FTDA "likelihood" Standard For Liability For Federal Trademark Infringement And State Law Dilution.

At the time the FTDA was enacted, 28 states had adopted dilution statutes. *See* Brent G. Seitz, *Case Notes and Comments: The Actual Harm Requirement and the Federal Trademark Dilution Act: Ringling Brothers – Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Development*, 10 J. Art & Ent. Law 113, 116 & n.18 (1999) ("Seitz") (*citing* Klieger at n.18). Congress intended the FTDA to stand on its own, apart from the state dilution laws. *See* H.R. Rep. No. 104-374 at 4 ("It is important to note that [the proposed FTDA] would not pre-empt existing state dilution statutes . . . and it is to be expected that [the FTDA] should . . . coexist with state dilution law"). For this reason, the FTDA must be construed independently from court decisions interpreting pre-FTDA state dilution statutes.

The phrase "likely to cause confusion" appears in the text of the pre-FTDA Lanham Act, *see, e.g.*, §§ 32(1)(a), 32(1)(b), and 43(a)(1)(A), demonstrating directly that Congress knows how to use "likely" to impose liability when it so desires. If it desired to apply the same "likelihood" test for dilution as applies to trademark infringement, it could have done so simply by adding the phrase "or to cause dilution" to §43(a)'s existing language "likely to cause confusion. . . . " And as noted *supra*, most dilution statutes employed a "likelihood of dilution" standard for liability at the time the FTDA was enacted. Congress was aware of this, and could have employed the state dilution law phrase "likely to cause dilution" in the newly-enacted §43(c)(1). But Congress did not do either.

Congress' omission of a "likelihood of dilution" standard in the FTDA cannot reasonably be considered a mere oversight.

Because Congress did not employ the "likelihood" standard of other Lanham Act Sections (§§ 32, 43(a)) and also did not expressly preempt the application of state dilution statutes (most of which require only the lesser burden of "likelihood of dilution" for relief), the conclusion is compelled that Congress, in selecting the "causes dilution" standard, deliberately chose to enact a federal statute with a more substantial burden of proof.

Widely-cited commentator, Prof. J. Thomas McCarthy has remarked upon this difference in statutory language, and its departure from state statutory standards for dilution: "The federal Act does not contain the phrase '*likelihood* . . . of dilution' that appears in the 1964 USTA (now INTA) Model Bill and that appears in many state anti-dilution statutes. To obtain an injunction, the federal Act requires proof that the accused use actually 'causes dilution.'" 4 McCarthy § 24:90, at 24-148 (2002). *See also* Klieger at 840 (noting that "[i]n place of the 'likelihood of dilution' language of the state [dilution] statutes, the [FTDA] creates an actual dilution requirement"); Sandra Edelman & Bruce R. Ewing, *The Federal Trademark Dilution Act of 1995: A Litigation Perspective*, 86 Trademark Rep. 485, 496 (1996) (interpreting the FTDA, well before any Circuit Court weighed in on the issue, as requiring that "dilution has occurred" or that a mark "has in fact been diluted").

Under the Lanham Act, an Injunction may issue against trademark infringement based on a presumption of irreparable harm resulting from a finding of likelihood of confusion (§§ 32, 43(a)). There is no warrant to invoke any such presumption of harm in the FTDA, and it is

improper to engraft onto the FTDA the "likelihood of" standard used in trademark litigation. Dilution, based on property principles, is significantly different from trademark infringement and Congress treated injunctive relief *separately* in the text of the FTDA itself, §43(c)(1), stating that an injunction is authorized only if the challenged use "causes dilution."

Previously when Congress has granted broad, property-like rights in the commercial use of a mark, it has used precise statutory terms to do so. *See* Amateur Sports Act of 1978 ("ASA"), 92 Stat. 3045, 3048 (Section 110, 36 U.S.C. § 380, granting the United States Olympic Committee control over commercial use of "Olympic," and prohibiting the use of "Olympic" entirely). In the ASA, Congress also prohibited the use of similar terms "tending" to cause confusion with such terms. *See* ASA Section 110(a)(4). Notably, this requirement of proof only of a tendency to cause confusion was a different (and less demanding) standard than the Lanham Act's "likelihood of confusion" standard for trademark infringement and the FTDA's "causes dilution" standard for dilution.

This Court interpreted the ASA in *San Francisco Arts & Athletics, Inc. v. United States Olympic Committee*, 483 U.S. 522 (1987). This Court noted that, by the terms Congress used in that statute, Congress demonstrated an understanding of the implications of granting property-like rights in commercial designations, to protect against a mere possibility of injury. *Id.* at 539. This Court recognized that Congress' use of the statutory language in the ASA was akin to Schechter's formulation that embodies reduction of distinctiveness. *See id.* ("[Congress] could determine that unauthorized uses, even if not confusing, nevertheless may harm the [trademark owner] by lessening the distinctiveness and thus the commercial value of the marks"). Such a recognition in *San Francisco*

Arts does not, of course, command the result that *any* dilution statute enacted by Congress necessarily would incorporate Schechter's formulation. Rather, it underscores that Congress is capable of using precise statutory language to express its legislative intent.

In the FTDA, Congress did not incorporate any language indicating an intent to remedy incipient harm, such as the "likelihood" standard of §§ 32 and 43(a) of the Lanham Act (and most state dilution statutes). Nor did Congress, as it did in the ASA, prohibit any use of "similar" marks that might "tend" to cause confusion, or prohibit *any* use of a class of marks entirely. Rather than choosing language parallel to the pre-FTDA "likelihood" of confusion standard or the ASA "tend" to cause harm standard, Congress used the disparate present tense phrase "causes dilution" in the FTDA. In another context, this Court has considered it important that Congress uses disparate language to create disparate requirements, especially within one statutory scheme. *See Whitman v. American Trucking Ass'ns*, 531 U.S. 457, 467 (2001) ("We have therefore refused to find implicit in ambiguous sections of the [statute] an authorization to consider costs that has elsewhere, and so often, been expressly granted [in the same statute]") (citations omitted).

Likewise, this Court has recently reaffirmed the well-settled principle that "where Congress includes particular language in one section of a statute but omits it in another section of the same Act, it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion." *Duncan v. Walker*, 533 U.S. 167, 173 (2001) (*quoting Bates v. United States*, 522 U.S. 23, 29-30 (1997)). Accordingly, the plain meaning of the statute should be conclusive, except in "rare cases [in which] the literal application of a statute will produce a result *demonstrably at odds* with the intentions of its drafters[.]"

Griffin v. Oceanic Contractors, Inc., 458 U.S. 564, 572 (1982) (emphasis added). Nothing in the legislative history of the FTDA is "demonstrably at odds" with the "causes dilution" standard.

C. In 1999, In The Legislative History Of The Trademark Amendments Act ("TAA"), Congress Acknowledged That Proof Of Actual Harm Is A Precondition For Relief Under The FTDA.

The Seventh Circuit in *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 466-67 (CA7 2000) noted that the legislative history of the FTDA does not address the issue regarding actual versus likelihood of dilution. This effectively forecloses resort to the FTDA's legislative history to disavow the plain meaning of the phrase "causes dilution" in §43(c)(1).

However, in 1999, only three years after enacting the FTDA, Congress acknowledged awareness of the *Ringling Bros.* "actual harm" requirement enunciated by the Fourth Circuit. The legislative history of the Trademark Amendments Act (TAA) states:

> The [FTDA] provides for injunctive relief after the identical or similar mark has been in use and *has caused actual dilution* of a famous mark but provides no means to oppose an application for a mark or to cancel a registered mark that will result in dilution of the holder's famous mark.

H.R. Rep. No. 106-250 at 5 (emphasis added). Despite this awareness, Congress did not amend the operative phrase "causes dilution" in §43(c)(1) of the Lanham Act, though it certainly could have done so. Notably, neither the Second Circuit in *Nabisco,* nor the other Circuits which have confronted the *Ringling Bros./Nabisco* conflict, have taken the legislative history of the TAA into account. Had they done so, these courts might well have resolved the issue differently.

D. A "Likelihood of Dilution" Standard Is Unavoidably Unpredictable, Subjective And Vague, While An Objective Actual Harm Standard Is Predictable And In Harmony With First Amendment Concerns.

As interpreted and applied below, the "likelihood of dilution" standard is unavoidably subjective, which lessens predictability in the law. To paraphrase this Court's concerns in *Festo*, "like any property right, [dilution's] boundaries should be clear. . . . A [trademark] owner should know what he owns, and the public should know what he does not." *See* 535 U.S. at ___, Slip Op. at 5.

As interpreted by the Sixth Circuit, the FTDA essentially grants the owner of a famous trademark a monopoly, unlimited in time, on the names and words comprising the famous mark. Such a grant is akin to a patent on words, with the right to exclude all others (whether competitors or not) from commercial use of the term. *See* Comment, *Dilution: Trademark Infringement or Will-O'-The-Wisp?*, 77 Harv. L. Rev. 520, 528 (1964) ("An owner's interest in the distinctiveness of his mark . . . is not only bewilderingly intangible, but must be weighed against countervailing interests in preventing impoverishment of the supply of available marks . . . ."). In this regard, even proponents of dilution laws have advised caution. 4 McCarthy, at 24-114 (4th ed. 1999) ("There is a place in our jurisprudence for a legal remedy to protect strong famous marks from dilution of their distinctiveness. . . . However, this is a potent legal tool, which must be used as a scalpel, not a sledgehammer").

Furthermore, in evaluating laws that restrict the rights of the public to engage in commercial speech, this

Court has been appropriately sensitive to the First Amendment concerns inherent in such legislation. Thus the FTDA must be interpreted and applied in a manner sensitive to First Amendment concerns:

> The [government] must assert a substantial interest to be achieved by restrictions on commercial speech. Moreover, the regulatory techniques must be *in proportion* to that interest. The limitation on expression must be designed *carefully* to achieve the State's goal. Compliance with this requirement may be measured by two criteria: First, the restriction must *directly* advance the state interest involved. . . . Second, if the governmental interest could be served as well by a more limited restriction on commercial speech, the excessive restrictions cannot survive.

Central Hudson Gas & Elec. Corp. v. Public Serv. Comm'n of New York, 447 U.S. 557, 564 (1980) (emphasis added).[5]

In the FTDA, the harm Congress sought to remedy was dilution, defined as "the lessening of the capacity of a famous mark to identify and distinguish goods or services." According to the "causes dilution" text of §43(c)(1), if dilution of a famous mark has not occurred, the trademark owner has not suffered actionable injury, and Congress has not authorized courts to enjoin the use of the allegedly diluting mark. By contrast, the "likelihood of dilution" standard fabricated by the Second Circuit in *Nabisco* (and adopted by the Sixth Circuit below) restricts commercial speech even when there is no actual harm to the trademark owner. Petitioners submit that the *Nabisco*

[5] Though the Fourth Circuit in *Ringling Bros.* did not expressly analyze the First Amendment, its application of the plain meaning of the statute was entirely consistent with it.

standard is an "excessive restriction" on First Amendment rights contrary to this Court's mandate in *Central Hudson*.

III. THE PROPER INTERPRETATION OF "CAUSES DILUTION" UNDER THE FTDA IS TO REQUIRE OBJECTIVE PROOF OF ACTUAL HARM AS A PREREQUISITE FOR RELIEF; A "LIKELIHOOD OF DILUTION" INTERPRETATION DISREGARDS THE PLAIN, UNAMBIGUOUS MEANING OF "CAUSES DILUTION", IS UNPREDICTABLE, AND INVITES THE MISCHIEF OF SUBJECTIVE JURISPRUDENCE.

By its terms, the FTDA authorizes an injunction only if the challenged mark "causes dilution" of the famous mark (§43(c)(1)). However, the Sixth Circuit below ignored the actual words used by Congress in the FTDA, and instead substituted, as the standard, an "inference of likely harm" (Pet. App. 25) to the selling power of the famous VICTORIA'S SECRET mark.

To determine whether another mark "lessens" the "selling power" of a famous mark under the FTDA, a court must consider the relationship between [1] the legal concept of dilution as defined in the FTDA (which does *not* include Schechter's original "whittling away" formulation, or the "likely to cause dilution" standard of the pre-FTDA state dilution statutes); [2] the harm sought to be avoided by the FTDA (*i.e.*, "the lessening of the capacity" to identify and distinguish, set forth in the present tense); and [3] the proof of that harm necessary for relief under the FTDA (also expressed in the present tense as "causes dilution"). Such determination is critical to maintain an appropriate balance between free competition and proper protection of trademarks.

A. The Fourth And Fifth Circuits Correctly Applied The Plain Meaning Of The FTDA's Statutory Language After Considering The History Of The Dilution Concept, State Dilution Statutes, And The FTDA's Actual Language To Arrive At An Objective Standard.

In *Ringling Bros.*, the Fourth Circuit held that dilution under the FTDA consists of a sufficient similarity of marks to evoke in consumers a mental association of those marks *that causes actual harm* to the senior mark's economic value as a product-identifying and advertising agent. 170 F.3d at 453 (emphasis added). The Fourth Circuit's holding is well-grounded in this Court's plain meaning rule. *See* 170 F.3d at 461 n.6 (citing to *Lake County*, *supra*, and holding that §43(c)(1) requires "consummated economic harm" because Congress chose different language "in the face of the obvious centrality of 'likelihood of dilution' provisions in the interpretation and application of state [dilution] statutes for the fifty years of their existence").

Characterizing the legislative record as "meager" and "sparse," the Fourth Circuit considered the background from which the dilution concept emerged. The Fourth Circuit explained that Schechter's "radical" proposal, if fully adopted, would create property rights in gross in so-called "unique" marks, and moreover, that Schechter's proposal had *never* been legislatively adopted by any jurisdiction "in anything approaching that extreme form." *Id.* at 454. The Fourth Circuit concluded that Congress necessarily must have considered those statutes when it enacted the FTDA *without* the "likelihood of dilution" standard.

When considering the discussion of the history of dilution law in the Restatement (Third), the Fourth Circuit gleaned that courts have experienced difficulty with the basic concept of "dilution" usually expressed in state statutes by a "cryptic[ ]" reference to "dilution of the distinctive quality of a mark." *Id.* at 455. The Fourth Circuit attributed this difficulty to the sheer breadth of the Schechter concept, and to the fact that once the dilution concept takes any form *other* than that of Schechter's simple original proposal, it "begins to lose its coherence as a legally enforceable norm." *Id.* at 455-56. In other words, the Fourth Circuit believed that the "likelihood of dilution" standard was so unavoidably subjective it rendered dilution statutes vague and lacking in coherence.

The Fourth Circuit reasoned that the state legislatures evidently were uncomfortable with enacting Schechter's radical proposal into law, as evidenced by the fact that none of the state dilution statutes employed Schechter's formulation. Under Schechter's proposal, the legal harm sought to be prevented was the loss of a trademark's "uniqueness," that is, its "singularity as a word-symbol contrived by its owner from outside the human vocabulary." *Id.* at 455-56 (*quoting* Schechter at 829) (internal quotation marks omitted). The legal cause of that harm was the simple act of "perfect or near-perfect replication of the senior mark by a junior mark." *Id.* at 456. Accordingly, under Schechter's model, the *only* proof required to establish dilution would be the simple fact of replication of the protected mark by the junior mark.

By contrast to the Schechter approach, the Fourth Circuit explained, the state statutes typically proscribed use of marks that created a "likelihood of . . . dilution of the distinctive quality of a [senior] mark . . . notwithstanding the absence of competition between the parties or of

confusion as to the source of goods or services." *Id.* at 456 (*quoting* Model State Trademark Act § 12 (1964)). However, even the "likelihood of dilution" standard in the state statutes created interpretive problems for the courts. As the Fourth Circuit observed, because the state statutes required proof only of a "likelihood" of dilution, the courts that interpreted these statutes had not been required to articulate the exact nature of the economic harm contemplated by state dilution law.

The state courts' focus on "likelihood" of future harm led them either (1) to assume that mental association, causation, and harm *could be inferred* as a matter of fact (the very approach adopted by the Second Circuit in *Nabisco*), or (2) to assume that those elements could be *conclusively* presumed merely from proof of the identity or near-identity of the two marks (the apparent approach of the Sixth Circuit in this case, following *Nabisco*). *Id.* at 458. Accordingly, the Fourth Circuit observed that courts have not yet defined the economic harm to a senior mark's "selling power" even though they generally agree it is an essential element of statutory "dilution." *Id.*

The Fourth Circuit then considered the courts' experience with state dilution statutes in interpreting the FTDA. Because the FTDA proscribes conduct that "causes dilution" rather than conduct that which results in the mere "likelihood of dilution," and because the FTDA specifically defines dilution as "the lessening of the capacity of a famous mark to identify and distinguish goods or services" (rather than the mere loss of "distinctiveness" itself), the Fourth Circuit reasoned that the FTDA makes plain that the end harm at which it is aimed is loss of a mark's selling power itself (*i.e.*, "the capacity" of a famous mark to identify and distinguish goods or services). Accordingly, the Fourth Circuit interpreted the FTDA to require proof of "an actual

lessening of the senior mark's selling power." *Id.* at 458. The Fourth Circuit further reasoned that to interpret the FTDA as protecting (as in Schechter's sweeping formulation) the senior mark's "distinctiveness" in the narrow sense of its singularity as a word symbol, would presume an unexpressed intention by Congress to create property rights in gross, unlimited in time, in "famous" trademarks. *Id.* at 459.

The Fourth Circuit explained why the FTDA cannot reasonably be interpreted to allow economic harm and its effective cause to be judicially presumed from proof of the mark's sufficient similarity alone. Some junior uses will have no effect at all upon a senior mark's economic value "whether for lack of exposure, general consumer disinterest in both marks' products, or other reasons." *Id.* at 460. And, it is not unreasonable to imagine that an occasional replicating use might actually *enhance* a senior mark's "magnetism" or selling power by drawing renewed attention to it "as a mark of unshakable eminence worthy of emulation by an unthreatening noncompetitor." In this sense, a replicating mark may occasionally operate in the marketplace as the "sincerest form of flattery." *Id.*

In *Westchester*, *supra*, the Fifth Circuit "endorse[d] the Fourth Circuit's holding that the FTDA requires proof of actual harm, since this standard best accords with the plain meaning of the statute." 214 F.3d at 670. The Fifth Circuit reasoned,

> There is a key difference between the state [dilution] statutes that formed the backdrop for passage of the FTDA and the FTDA itself. Whereas state [dilution] statutes incorporate, often expressly, the "likelihood of dilution" standard, the federal statute does not. [Citation omitted.] Instead, it prohibits any commercial use of a famous mark that "causes dilution"

> [*citing* §43(c)(1)]. Both the present tense of the verb and the lack of any modification of "dilution" support an actual harm standard.

Id. at 670-71.

B. The Second Circuit's Subjective "Likelihood of Dilution" Standard Is Grounded In Irrelevant And Unfounded Perceptions Of The Difficulty Of Proof Of Harm Required By The Fourth Circuit's *Ringling Bros.* Decision.

In following the rationale of the Second Circuit in *Nabisco*, the Sixth Circuit below construed the FTDA as allowing an "inference of likely harm" (Pet. App. 25a) thereby justifying only a mere "likelihood of dilution" under §43(c)(1). In doing so, that court read the legislative history of the FTDA to mean that Congress intended to permit a finding of dilution without a showing of actual harm, based on an "inference of harm" coupled with the mere similarity of the accused mark to the famous mark. Pet. App. 14a n.3, 25a.

Yet, just as the Sixth Circuit acknowledged the Fourth Circuit's "somewhat persuasive arguments" (Pet. App. 23a), other Circuit Courts that have rejected the Fourth Circuit's analysis of the "causes dilution" phrase of the FTDA have not contested the Fourth Circuit's reading of the FTDA. *See Nabisco,* 191 F.3d at 223 ("[T]he language of the statute gives some support to [the Fourth Circuit's] reading"); *Eli Lilly,* 233 F.3d at 466 ("In *Ringling Bros.*, the Fourth Circuit set out a cogent argument for a restrictive reading of the [FTDA] that requires the plaintiff to submit proof of actual economic harm").

Ignoring the Fourth Circuit's "cogent" and "somewhat persuasive" arguments, these Circuits improperly resorted

to unsubstantiated assessments of Congressional "intent" and "legislative history" to engraft into the FTDA language not found in the text of the statute. *See Nabisco,* 191 F.3d at 224 ("intent of the statute" should be given primacy over the literal words of the statute); *Eli Lilly,* 233 F.3d at 468 ("Congress could not have intended" proof of actual economic harm); and the Sixth Circuit's opinion below, Pet. App. 25a ("With such a broad remedy considered in the [FTDA's] legislative history, we find it highly unlikely that Congress would have intended to create such a statute but then make its proof effectively unavailable"). However, one searches in vain in the FTDA or its legislative history to locate such "intent."

The rationale employed by the Second, Seventh and Sixth Circuits only invites further subjective mischief by the courts in future dilution cases. *See* KIM at 720 ("[T]he circuits that follow the likelihood of dilution standard provide incentives for judicial irresponsibility, subjective intuition rather than law-based decision making, and statutory interpretative abuse, resulting in anti-competitive (and thus, anti-FTDA) effects").

In *Nabisco*, the Second Circuit considered but rejected the Fourth Circuit's holding that proof of dilution under the FTDA requires proof of an "actual, consummated harm," 191 F.3d at 223 (quoting *Ringling Bros.*, 170 F.3d at 464), concluding instead that "it seems plausibly within Congress's [sic] meaning to understand the statute as intending to provide for an injunction to prevent the harm before it occurs." *Id.* at 224. While it may be within Congress's *power* to do so, for the Second Circuit to say that it is within the FTDA's *meaning* is an assault on the text of the statute. Not only is this extrapolation of Congress' "meaning" without textual support in the statute or in the FTDA's (scant) legislative history, the Second Circuit's expansive reading of the FTDA runs afoul

of the plain language used by Congress in the statute. *See* SEITZ at 155 ("[T]he *Nabisco* court gave no support for its position. By ignoring the language of the statute it is the *Nabisco* court that is not following the intent of the statute").

The FTDA nowhere refers to "likelihood of dilution." As the Seventh Circuit admitted in *Eli Lilly*, the legislative history of the FTDA does not address whether the "causes dilution" requirement can be satisfied by evidence of a mere likelihood of dilution. 233 F.3d at 466-67. The Second Circuit chose to divine Congress' intent by other means. *See* SEITZ at 155 ("[T]he *Nabisco* court decided to read its own meaning into the statute so as to produce the outcome it desired").

The Second Circuit's *Nabisco* decision (and the Seventh and Sixth Circuit decisions adopting the *Nabisco* "likelihood of dilution" standard) appears to be based on a discovery of Congress' intent by focusing on the mere decision to create a right of action for trademark dilution. However, this ignores Congress' language ("causes dilution") enunciated in the statute. In its zeal to legitimize the federal dilution concept, the Second Circuit placed undue emphasis on the supposed burden undertaken by the plaintiff in FTDA cases. Thus, per the Second Circuit, the Fourth Circuit's view would subject the senior user to "uncompensable injury" because the statute could not be invoked until injury had occurred, at which time the senior user could not be compensated in damages absent a finding of willfulness pursuant to §43(c)(2) [15 U.S.C. § 1125(c)(2)]. But this view overlooks the actual words used by Congress in the statute.

Plainly under the FTDA, if the defendant's conduct "causes dilution," an injunction may issue. Given that Congress greatly expanded the scope of trademark rights

under the Lanham Act by enacting newly-created federal dilution rights in the FTDA, it is not unreasonable that Congress employed language delimiting the imposition of dilution liability. Even if the plain meaning of a statute makes a famous trademark owner's burden more difficult, it is improper for courts to ignore the plain language of the statute, as this Court has long recognized. *See Lake County*, 130 U.S. at 670; *see also Armstrong Paint & Varnish Works v. Nu-Enamel Corp.*, 305 U.S. 315, 333 (1938) ("We have refused to nullify statutes, however hard or unexpected the particular effect, where unambiguous language called for a logical and sensible result"). Not only is such an approach improper under long-standing rules of this Court (*Rucker, Park 'N Fly, LaBonte, Lake County*, all *supra*), but the Second Circuit, in disavowing the FTDA's plain meaning, relied on unjustified assumptions.

First, the Second Circuit characterized the Fourth Circuit's rationale as "excessive literalism" to defeat (the Second Circuit's view of) the intent of the FTDA, which it assumed as "intending to provide for an injunction to prevent the harm before it occurs."[6] 191 F.3d at 224. The Second Circuit reached this conclusion apparently by assuming that an injunction is the primary remedy of the FTDA because damages are available only for willful conduct. *See id.* This fails to give effect to the FTDA's structure.

The FTDA contains separate and specific standards for injunctive relief and non-injunction remedies. Monetary relief is available for dilution, but only if the

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[6] By comparison, a trademark injunction based on a "likelihood of confusion" is authorized by the *specific language* of §32 or §43(a) of the Lanham Act, not mere judicial opining that Congress intended to prevent any such harm before it occurs.

defendant has "willfully intended . . . to cause dilution" of the mark. *See* §43(c)(2). That Congress chose to require willful conduct as a prerequisite for monetary relief does *not* make an injunction the "primary" remedy under the FTDA, nor does it require a reading of the statute that would make injunctive relief available upon a mere likelihood of dilution. Congress' selection of a higher standard of culpability to impose money damages is logically consistent with the creation of such a new and expanded property right in a famous trademark. It may be that injunctive and monetary relief standards under the FTDA put the plaintiff to a higher burden of proof than for traditional trademark infringement, but this is as it should be when Congress has created dilution as a new property right so different from traditional trademark rights.

Another incorrect assumption of the Second Circuit is that the concept of FTDA "dilution" is the same as Schechter's original exposition of dilution as "whittling away" the distinctive quality of the trademark at issue. Such a view inevitably leads to the Second Circuit's claim that an injunction is essential to prevent the harm of dilution from occurring. 191 F.3d at 224. However, C ngress did not define dilution with Schechter's "gradual whittling away" concept; it chose "lessening of the capacity" instead. Thus, the Second Circuit's fear that an actual harm standard would allow injunctions only after it is "too late" is unfounded.

In practice, the effect of the Second Circuit's "likelihood of dilution" standard is to allow the entry of a permanent injunction against alleged dilution without any showing of actual harm – somewhat akin to a prior restraint on commercial use of a trademark. Because the injury inherent in a likelihood of dilution standard is "speculative and therefore immeasurable," that standard

essentially gives trademark owners the power to block competition by forcing new entrants to settle. William Marroletti, *Note: Dilution, Confusion, or Delusion? The Need for a Clear International Standard to Determine Trademark Dilution*, 25 BROOKLYN J. INT'L L. 659, 689 (1999) ("MARROLETTI"). Under the Second Circuit's standard, an FTDA injunction is thus "not a remedy, but rather a recipe for senior entrenchment." KIM at 758.

The *Nabisco* rationale evinces discomfort with a remedy for dilution considered difficult to prove. In this regard, those courts (including the Sixth Circuit below) that follow the Second Circuit are not alone. Some trademark commentators have acknowledged the plain meaning of the statute, only to discard it because of their discomfort with the perceived difficulty of proving dilution. For example, Robert Klieger considers the actual harm requirement "an impenetrable barrier to any federal dilution action" inconsistent with Schechter's formulation that requires only incipient harm. KLIEGER at 840. However, Klieger ignores the fact that Schechter's rationale was not adopted. Instead, like the Second Circuit he postulates a Congressional intent (unstated in the legislative history) that "Congress did not intend to require . . . a showing of actual dilution." *Id.* However, such a conclusion flies in the face of the actual language used in the FTDA.

Commentators such as these take the same false step as the Second Circuit: namely, they succumb to the temptation to ignore clear statutory language in favor of a more comfortable result. This is little more than wishful thinking cloaked in the trappings of scholarly (and judicial) writing. Each sees what is perceived to be a "practical problem" resulting from adherence to the plain meaning of the statute, then each blithely brushes the plain meaning aside with an analysis of Congressional

"intent" that is superficial and devoid of essential support. But while this may be a privilege of commentators, this cannot be the proper province of the courts, as this Court has recognized: "[t]here is . . . no more persuasive evidence of the purpose of a statute than the words by which the legislature undertook to give expression to its wishes." *United States v. American Trucking Ass'ns*, 310 U.S. 534, 543 (1940).

The failure of the Second Circuit and the Sixth Circuit below to apply the plain meaning of the FTDA, and the decision of some commentators to embrace the rationale of the Second Circuit, is even less tenable when one considers the particular concerns expressed against the plain meaning of "causes dilution." The Second Circuit rejected, as "an arbitrary and unwarranted limitation on the methods of proof," the Fourth Circuit's requirement that the plaintiff must bring forth evidence of actual loss of revenues, or a skillfully constructed consumer survey. *Id.* at 224. However, commentators have explained that proof of actual harm can be adduced. For example, a gradual shift in revenue from the senior user to the junior user during the period in which the junior user first implemented the mark would indicate that the senior user's mark had been diluted. SEITZ, 155-56. Likewise, carefully tailored survey evidence can be marshaled to show whether a mark's ability "to convey quality and attribute associations" has been damaged. MARROLETTI at 690. Accordingly, "a plaintiff could attempt to show that this loss resulted in decreased sales. If shown, the decreased sales would be the result of the loss of the mark's selling power regardless of consumer confusion. Such survey evidence . . . would measure the harm of trademark dilution, truly separate from consumer confusion." *Id.* at 690-91.

Fearing a "battle of surveys," the Second Circuit gratuitously criticized consumer surveys as "expensive, time-consuming and not immune to manipulation." 191 F.3d at 224. The Seventh Circuit in *Eli Lilly* likewise distrusts customer surveys as "subject to manipulation." 233 F.3d at 468. Such criticism ignores the fact that customer surveys are routinely used in trademark infringement cases brought under the Lanham Act (*see* 3 GILSON § 8.11[1]), and can be used successfully in dilution cases. *See* Patrick M. Bible, *Defining and Quantifying Dilution Under the Federal Trademark Dilution Act of 1995: Using Survey Evidence to Show Actual Dilution*, 70 U. COL. L. REV. 295, 314-17 (1998) ("BIBLE") (surveys are used frequently in litigation, and guidelines are provided in the Manual for Complex Litigation); Elliot B. Staffin, *The Dilution Doctrine: Towards A Reconciliation with the Lanham Act*, 6 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 105, 160-61 (1995) (surveys could be used more frequently as evidence of dilution; "the criticism that the dilution doctrine is too ephemeral, does not address a real injury, and is incapable of empirical proof is not valid").

Moreover, the Seventh Circuit's distrust of surveys is based on its doubt that "dilution of the distinctiveness of a mark is something that can be measured on an empirical basis by even the most carefully constructed survey." *Eli Lilly*, 233 F.3d at 468. This concern appears to be based on a misreading of FTDA dilution as mirroring Schechter's non-adopted "whittling away" concept. In fact, it is not "dilution of the distinctiveness of the mark" (the Schechter formulation) that is the definition of dilution under the FTDA; rather, the Congressional guidepost is "lessening of the capacity . . . to identify and distinguish goods and services."

Other trademark commentators have provided guidance regarding construction of a survey adequate to

prove actual harm under the FTDA. For claims of dilution by blurring, surveys may be a plaintiff's strongest and most persuasive evidence, because actual blurring can be rationally inferred based on the existence or nonexistence of mental associations between the two marks. *See* BIBLE at 314. Indeed, Professor McCarthy states that surveys presenting "the actual responses of a group of [relevant consumers] whose perceptions are at issue" provide a "more scientific means" of demonstrating dilution. 5 MCCARTHY § 32:158, at 32-243, 32-245 (2002). Surveys can be conducted so as to compare the recognition and association of consumers in the senior mark's channel of trade, who have been exposed to the junior mark, with those consumers who have not been exposed to the mark. KIM at 749.

For claims of tarnishment, commentators have stated that actual dilution can be demonstrated by using a two-cell product attribute survey, where the control cell is used to measure the attributes that consumers unfamiliar with the junior user's mark associate with the famous mark. The test cell measures the attributes that consumers who have been exposed to the junior user's mark associate with the famous mark. Eric A. Prager, *The Federal Trademark Dilution Act of 1995: Substantial Likelihood of Confusion*, 7 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 121, 132 (1996). Additionally, tarnishment can be demonstrated by testimony from former customers, that they no longer purchase products or services from the plaintiff because they mistakenly believed that the quality of plaintiff's products has declined, attributable to the tarnishing activities of the defendant. *Id.* at 131-32.

C. THE SECOND CIRCUIT'S *NABISCO* STANDARD WILL PRODUCE "RIGHTS IN GROSS" IN FAMOUS TRADEMARKS, AND IS ANTI-COMPETITIVE.

The Fourth Circuit expressed grave concern that anything other than an "actual harm" standard under the FTDA would lead to a "property right in gross" in famous trademarks (*see Ringling Bros.*, 170 F.3d at 459). The Fourth Circuit also warned that the FTDA should not be read to create a right in the senior user to prohibit *any* substantially replicating mark. *See id.* ("We simply cannot believe that . . . Congress could have intended, without making its intention perfectly clear, to create property rights in gross, unlimited in terms (via injunction) even in 'famous trademarks'"); *see also Advantage Rent-A-Car, Inc. v. Enterprise Rent-A-Car, Inc.*, 238 F.3d 378, 381 (CA5 2001) (dilution is an "extraordinary remedy"). Though the Second Circuit purported to agree with the Fourth Circuit to the effect that the statute should not be interpreted to create property rights in gross, *see* 191 F.3d at 224 n.6, the Second Circuit's standard of "likelihood of dilution" essentially prohibits *all* trademark uses similar to a famous mark. Thus, the Second Circuit's "agreement" with the Fourth Circuit that the dilution statutes do not create a property right in gross is illusory at best.

The Second Circuit also soft-peddled the anti-competitive effect of its "likelihood of dilution" interpretation by adverting to "many instances in which a junior use of a famous mark might not reduce the capacity of that mark to identify and distinguish products under the dilution statutes." *See id.* But a careful reading of the opinion discloses that the "instances" to which the Second Circuit was referring are those where the allegedly famous mark is not sufficiently "distinctive" at all; hence, such marks would be disqualified from FTDA relief in any event. *See id.* at 216, 219.

The Second Circuit also contended that there was no reason to preclude an inference of harm flowing from a finding of a likelihood of dilution, as in trademark infringement cases. 191 F.3d at 224 & n.5. This ignores the distinction between Congress' standard for trademark liability ("likely to cause confusion") as compared to its standard for dilution liability ("causes dilution") and thereby begs the initial question as to the appropriate standard for liability.

The Second Circuit thus relied on a non-existent analogy between traditional trademark infringement law and state dilution law on the one hand (both of which employ a standard of mere "likelihood" of confusion or dilution, respectively), and the FTDA on the other (which, properly read, utilizes an objective actual harm standard prohibiting conduct that "causes dilution").

The Second Circuit's interpretation thereby transformed dilution "apples" of the FTDA into fruit indistinguishable from "oranges" of traditional trademark law. However, it is clear from the language Congress used that there are important differences between the two. It is essential not to mingle these Lanham Act dilution "apples" and trademark "oranges" when determining the statutory prerequisites for the remedies accorded to each. Worse, the Second, Seventh and Sixth Circuits' collective error is not a mere confusion of apples and oranges; it is the express refusal to accept that Congress acted to plant an apple tree (*i.e.*, the FTDA statute providing that an injunction will issue only if the challenged mark "causes dilution") within an orange grove (*i.e.*, the preexisting Lanham Act provisions that require only a "likelihood of confusion").

To read the statute as requiring a showing of only a "likelihood of dilution," as did the Second Circuit in *Nabisco* (stretched even further by the Sixth Circuit below in allowing an "inference of likely harm"), does violence to

the plain language of the FTDA, and establishes a sweeping anti-competitive federal cause of action contrary to the words Congress used and for which there is no evidence Congress intended.

D. By Imposing A Standard For Relief Different From The Plain Meaning Of The FTDA, The Sixth Circuit Below Disregarded The Appropriate Roles Of The Legislature And Judiciary In Statutory Enactment And Interpretation.

In the District Court below, Respondents pejoratively portrayed the Moseleys as "sex shop" purveyors of "sex toys," "pornographic videos," and "adult novelty items." JA 136, 170-71, 180-81, 185, 187. As urged by Respondents, the District Court below engaged in a judge-inferred association between Petitioners' "unsavory" inventory compared to the (uncharacterized) inventory of Respondents in the minds of consumers. Pet. App. 39a. However, pejorative terms should not substitute as proof of the legal harm required by the "causes dilution" language of the FTDA. Nevertheless, without proof that the inferred association has caused damage, the Petitioners are subject to a permanent injunction from using Victor's given name in their business based on, as the Sixth Circuit below acknowledged, an "inference of likely harm." Pet. App. 25a. Under these circumstances, liability for "dilution" has been thereby subjected to the vagaries inherent in the oft-stated practical definition of "obscenity" expressed by Justice Stewart, noting that the Court was faced with the task of "trying to define what may be indefinable": "I know it when I see it." *Jacobellis v.*

Ohio, 378 U.S. 184, 197 (1964) (Stewart, J., concurring).[7] Unless limited by the plain meaning of the statute, the FTDA stands to become the next obscenity standard, chilling every business that seeks to use a mark similar to a famous trademark, no matter whether harm is caused or not.

The scant legislative history of the FTDA does not contravene the express language of the statute that requires a showing of harm that actually "causes dilution." Accordingly, resort to the legislative history to support a construction of §43(c)(1) as requiring a mere "likelihood of dilution" is both inappropriate and unavailing. The Sixth Circuit (as did the Second and Seventh Circuits before it) read the legislative history in a manner exceedingly friendly to FTDA plaintiffs. This Court should not accept such use of legislative history (which is never voted on by Congress) to divine Congress' intent as a substitute for focusing on the actual language used in the statute:

> [I]t must be assumed that what the Members of the House and the Senators thought they were voting for, and what the President thought he was approving when he signed the bill, was what the text plainly said, rather than what a few Representatives, or even a Committee Report, said it said. . . . This text is eminently clear, and we should leave it at that.

United States v. Taylor, 487 U.S. 326, 345 (1988) (Scalia, J., concurring in part).

Particularly troublesome in the reasoning of the Sixth Circuit is its reliance on an obscure and off-point case mentioned in the legislative history to ignore the plain meaning of the statute. *See* Pet. App. 24a. In the course of describing dilution, the House Report quotes a dated

[7] Justice Stewart, of course, erred on the side of excluding the motion picture at issue from liability. 378 U.S. at 197.

district court opinion, *Mortellito v. Nina of California, Inc.*, 335 F. Supp. 1288 (S.D.N.Y. 1972), which has been misread by some as holding the "key" to determining the meaning of the statute. The House Committee Report, citing that case, states:

> Even in the absence of confusion, the potency of a mark may be debilitated by another's use. This is the essence of dilution. Confusion leads to immediate injury, while dilution is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark.

H.R. REP. NO. 104-374 at 3 (*quoting Mortellito*, 335 F. Supp. at 1296). This passage, a single quote from a federal district court applying a *state* dilution statute employing the broader "likelihood of dilution" standard, offers no principled guidance as to whether Congress intended the FTDA to be as broad as the underlying state law. Rather, this passage demonstrates the problems inherent in searching the legislative history, especially a history so sparse, for *any* reason to support a view of the statute.

The Sixth Circuit erred in its unquestioning application of *Mortellito* in divining the purpose of the FTDA. "Courts which engage in this practice are deceiving themselves and the parties involved into thinking that their decision is based on the FTDA, when it is in fact based on the state dilution statute used in the case they chose to cite." SEITZ at 157. Courts should be wary of such case citations in legislative history, considering the context by which such citations make their way into legislative history:

> Congress is elected to enact statutes rather than point to cases, and its Members have better uses for their time than poring over District Court opinions. . . . As anyone familiar with modern-day drafting of congressional committee reports is well aware, the references to the cases were inserted, at best by a committee staff member on

> his or her own initiative, and at worst by a committee staff member at the suggestion of a lawyer-lobbyist; and the purpose of those references was not primarily to inform the Members of Congress what the bill meant . . . but rather to influence judicial construction. What a heady feeling it must be for a young staffer, to know that his or her citation of obscure district court cases can transform them into the law of the land, thereafter dutifully to be observed by the Supreme Court itself.

Blanchard v. Bergeron, 489 U.S. 87, 98-99 (1989) (Scalia, J., concurring in part).

To rely on a single obscure, dated, and inapposite *state law* case reference such as *Mortellito* as evidencing Congressional "intent" to enact a *federal* "likelihood of dilution" standard, when the plain meaning of the words of §43(c)(1) mandate otherwise, is more of the same outcome-based reasoning evident in the opinions rendered by the Second, Seventh, and Sixth Circuits.

CONCLUSION

For the foregoing reasons, the Court should reverse the Sixth Circuit and enter judgment as a matter of law for Petitioners that VICTOR'S LITTLE SECRET has not been used and cannot be used in a manner that "causes dilution" of the famous VICTORIA'S SECRET mark.

Respectfully submitted,

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IN THE

Supreme Court of the United States

VICTOR MOSELEY AND CATHY MOSELEY,
D/B/A/ VICTOR'S LITTLE SECRET,
Petitioners,

v.

V SECRET CATALOGUE, INC., VICTORIA'S SECRET STORES,
INC., AND VICTORIA'S SECRET DIRECT, LLC,
Respondents.

On Writ of Certiorari to the United States Court of Appeals for the Sixth Circuit

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STATEMENT OF THE CASE

This case arises from the efforts of respondents V Secret Catalogue, Inc., Victoria's Secret Stores, Inc., and Victoria's Secret Direct, LLC (collectively "Victoria's Secret") to protect the distinctiveness of the VICTORIA'S SECRET mark,[1] which has become famous and strong through enormous sales, extensive promotion, advertising, and investment over the course of twenty years. Attempting to ride the coattails of respondents' success in creating a unique and powerful mark with great selling power, petitioners used the mark VICTOR'S SECRET – which they quickly changed to VICTOR'S LITTLE SECRET – to advertise and sell "adult" products, including sex toys and pornography, as well as lingerie. The sole question presented here is whether the Federal Trademark Dilution Act of 1995 ("FTDA"), 15 U.S.C. § 1125(c), requires respondents to prove they have already suffered economic harm from petitioners' use of the similar mark before obtaining an injunction against its further use. As both courts below correctly held, the answer is no.

1. Statutory Framework

The FTDA provides that the "owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark." 15 U.S.C. § 1125(c)(1). Thus, to obtain an injunction barring the use of another mark, a senior mark holder must prove that (1) its mark is "famous," and (2) the

---

[1] Respondents are "related companies" under 15 U.S.C. § 1127. Joint Appendix ("JA") 135. Respondent V Secret Catalogue, Inc. is the record owner of the VICTORIA's SECRET mark, and licenses respondents Victoria's Secret Stores, Inc. and Victoria's Secret Direct, LLC, to use that mark. Pet. App. 3a-4a.

commercial use of another mark introduced into commerce after the senior mark became famous, "causes dilution of the distinctive quality of the [senior] mark." *Id.* To establish that commercial use of a junior mark "causes dilution" of a mark's "distinctive qualities," the senior mark holder must prove only that it causes a "lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of – (1) competition between the owner of the famous mark and other parties, or (2) likelihood of confusion, mistake, or deception." 15 U.S.C. § 1127. But the Act also creates a safe harbor for certain fair uses, designating comparative advertising, non-commercial use of a mark, and news reporting and commentary as not "actionable" dilution. 15 U.S.C. § 1125(c)(4).

A mark owner who proves actionable dilution is entitled only to prospective injunctive relief for non-willful dilution. 15 U.S.C. § 1125(c)(2). Damages are available only to those who prove willful dilution. *See id.* (owner proving willful dilution may seek "remedies set forth in sections 1117(a) and 1118 of this title") & *id.* § 1117(a) (allowing award of defendant's profits, damages, and costs).

2. Factual Background

a. In October 1977, the first VICTORIA'S SECRET store opened in Palo Alto, California. Joint Appendix ("JA") 167. In January 1981, the owners of that store registered the VICTORIA'S SECRET trademark with the U.S. Patent and Trademark Office ("PTO"). JA 166. The Limited, Inc., respondents' parent corporation, acquired the original Victoria's Secret business and its trademark in 1982. JA 167. At that time, the acquired company operated three retail stores in northern California and a small mail order business. *Id.*

Since this acquisition, Victoria's Secret has created a familiar image for its brand and promoted it vigorously around the country. The VICTORIA'S SECRET line consists of high quality, moderately priced, and attractive products, including women's lingerie, sleepwear, robes, apparel, accessories, fragrances, cosmetics, and bath products. JA 167-68. As of 1998, Victoria's Secret was operating more than 750 retail stores and annually distributing more than 400 million mail order catalogues throughout the United States. *Id.* Victoria's Secret also sells merchandise through its website at www.victoriassecret.com. JA 168.

Respondents have devoted considerable resources to advertising and promoting their products and retail services using the VICTORIA'S SECRET mark. Between 1989 and 1998, respondent Victoria's Secret Stores increased its expenditures in these areas each year, spending more than $170 million on advertising and promotion, including more than $55 million in 1998 alone. JA 170. Between 1994 and 1998, respondent Victoria's Secret Direct's promotional and advertising expenses increased every year, and exceeded $1 billion over the entire period. JA 180. Respondents' efforts included national print advertisements and television commercials, JA 169-70, and an annual fashion show that could be viewed through a "webcast," JA 179. Nearly two million people watched the 1999 Victoria's Secret Fashion Show live at its website. JA 179-80.

Respondents' promotional efforts have yielded tangible results. A 1998 survey ranked VICTORIA'S SECRET among the ten most famous brands in the apparel industry. Pet. App. 30a; JA 142-43. Between 1989 and 1998, Victoria's Secret Stores's annual sales grew from $418 million to more than $1.5 billion, exceeding $1 billion every year from 1994 to 1998. JA 168-69. Sales from VICTORIA'S SECRET catalogues grew from more than $342 million in 1992 to more than $759 million in 1998. JA 178.

b. Respondents operate two VICTORIA'S SECRET stores in Louisville, Kentucky; one has been open since 1985 and the other since 1992. JA 169. Victoria's Secret also distributes mail order catalogues throughout the state. In 1998,

it distributed more than 3.5 million VICTORIA'S SECRET catalogues in Kentucky; 39,000 of these catalogues arrived in Elizabethtown. JA 178. Between 1994 and 1998, Kentucky residents purchased nearly $30 million worth of merchandise from Victoria's Secret Direct. JA 178. During this period, the combined retail sales of the two VICTORIA'S SECRET stores in Kentucky exceeded $21 million. JA 169.

On February 8, 1998, petitioners Victor and Cathy Moseley (the "Moseleys") opened a store called "Victor's Secret" in a strip mall in Elizabethtown, Kentucky. Pet. App. 4a. Victor's Secret sold a variety of items, including women's and men's lingerie, adult videos, sex toys and "adult novelties." *Id.* The store includes an area Mr. Moseley called an "adult section," JA 46, where petitioners sell "[a]nything [they] feel might be extremely offensive to the general public." JA 49. Before bringing items from this adult section to the cash register, customers must place them into unmarked brown paper bags. JA 50. Using VICTOR'S SECRET, the Moseleys advertised the store's opening with flyers, advertisements in local newspapers, and on the radio. JA 58, 60.

Scarcely a week later, on February 16, 1998, respondents received a letter from Colonel John Baker, Staff Judge Advocate for the U.S. Army Center, and a resident of Fort Knox, Kentucky, who had seen a newspaper advertisement for "Victor's Secret." JA 184-85. Colonel Baker sent respondents a copy of the advertisement because he was "personally offended by [petitioners'] use of a bona fide, reputable company's trademark to promote [their] unwholesome, tawdry merchandise." JA 210. On February 25, 1998, respondents' counsel sent the Moseleys a letter requesting that they cease and desist from use of the name "Victor's Secret." Pet. App. 30a. The Moseleys subsequently changed the name of their store to "Victor's Little Secret." *Id.* In the store's print advertisements, signage, and logo, the word "Little" is significantly smaller than "Victor's Secret," in-

serted between the other two words by an editor's caret, JA 186, explicitly representing "Little" as a less consequential afterthought to "Victor's Secret."

3. Proceedings Below

a. On June 22, 1998, respondents filed this action in the United States District Court for the Western District of Kentucky, alleging that the Moseleys' use of VICTOR'S LITTLE SECRET constituted infringement under the Lanham Act, 15 U.S.C. § 1051 *et seq.*, dilution under the FTDA, and unfair competition under Kentucky law. Pet. App. 29a. After discovery, the Moseleys sought summary judgment on all counts, and Victoria's Secret filed a cross-motion for summary judgment on the FTDA claims. *Id.*

In addition to the background facts set forth above, the record before the district court on summary judgment included the following undisputed facts, taken from the Moseleys' deposition testimony. Before opening his store, Mr. Moseley knew of VICTORIA'S SECRET and the fact that it sold lingerie. JA 76. Mrs. Moseley was also familiar with VICTORIA'S SECRET, and had visited a VICTORIA'S SECRET store. JA 82. When considering names for their store, the Moseleys discussed the possibility of calling it, among other things, "Adult Toys Are Us." JA 78. The Moseleys were familiar with the retail chain "Toys R Us." *Id.* After the Moseleys opened their store, before the filing of this action, customers and others noted that their store's name is similar to VICTORIA'S SECRET. JA 78-79.

b. The district court granted petitioners summary judgment on respondents' claims of trademark infringement and unfair competition, which both require proof of a "likelihood of confusion." The court held that respondents' had failed to prove such a likelihood. Given the overlap in factors relevant to infringement and dilution, in reaching its infringement determination the court reviewed evidence and made findings essential to its dilution analysis. First, the court

noted the Moseleys' concession that the VICTORIA'S SECRET mark is "strong," Pet. App. 33a, and further noted that petitioners had identified only 14 marks around the nation that were "very similar" to VICTORIA'S SECRET, most of which had been "canceled or abandoned." *Id.* at 32a. Second, the district court rejected the Moseleys' contention that their merchandise is "very different than Victoria's Secret's merchandise." *Id.* at 33a. Noting that "women's lingerie takes up much of [the Moseleys'] retail space," the district court found that the products sold by the parties "are not completely unrelated," and assumed that they are "in direct competition." *Id.* Third, the district court found that "[o]n a side-by-side comparison, the two marks in question bear a large degree of similarity." Pet. App. 34a. But, fourth, the court found actual consumer confusion unlikely because "Victoria's Secret's stores are generally in upscale malls, with signage that is professionally done," while "Victor's Little Secret is in a strip mall with handwritten signs advertising 'Pagers for Sale' in the window," *id.*; because purchasers of lingerie tend to exercise care in their purchases; and because Victoria's Secret had not presented affirmative evidence of actual confusion among consumers, *id.* at 34a-35a. Fifth, the court found that "Victoria's Secret and Victor's Little Secret use the same marketing channels," for both sell products in the retail market, using radio and newspaper advertising. *Id.* at 35a. Sixth, on the question of the intent underlying the selection of their mark, the district court expressed serious doubt that petitioners had chosen VICTOR'S LITTLE SECRET with no intent to cause confusion. *Id.* at 35a-36a. After observing that the Moseleys explained their choice by claiming that any similarity was a "complete coincidence" and that Mr. Moseley "wanted to keep the opening of the store quiet while working for a previous employer," *id.*, the district court held that the "notable similarity between the two marks alone is enough to call into question [their] explanation." *Id.* at 36a. The district court also noted that

Mr. Moseley's testimony that he was unemployed when he was selecting the name of the store "not only tends to refute his explanation for the name 'Victor's Secret,' but seriously damages his credibility." *Id.* The court found no evidence that the Moseleys intended to expand their business. *Id.*

Accordingly, relying principally on the absence of evidence of actual confusion, the asserted sophistication of consumers of lingerie, and the differences in the nature of the parties' retail operations, the court found no likelihood of confusion, and granted petitioners summary judgment on the infringement and unfair competition claims. On the dilution claim – which required no finding of likely confusion – the court reached the opposite result, granting summary judgment for respondents.

After noting that the Moseleys did not contest the fame of the VICTORIA'S SECRET mark and emphasizing its own finding that the mark is "strong and worthy of protection," the district court found no dispute that the Moseleys were using their mark in commerce and that their use began after VICTORIA'S SECRET became a famous mark. *Id.* at 38a. As a result, the district court had only to consider whether the Moseleys' use of their mark "*dilutes* the quality of [respondents'] mark." *Id.* (emphasis added).

Conducting this analysis, the district court recognized that dilution may occur through tarnishment or blurring, and that a showing of either form of dilution requires that the junior mark be "sufficiently similar" to the senior mark. *Id.* at 38a-39a. The district court found that VICTORIA'S SECRET and VICTOR'S LITTLE SECRET are "substantially similar for purposes of [the] dilution claim." *Id.* at 39a. As the Moseleys sell "adult videos as well as sex toys and other 'adult novelties," the district found that their mark "dilutes [Respondents'] mark because of its tarnishing effect upon the Victoria's Secret mark." *Id.* Accordingly, the district court enjoined the Moseleys from using their mark "on

the basis that it causes dilution of the distinctive quality of the Victoria's Secret mark." *Id.*

c. Petitioners appealed from the entry of summary judgment on the dilution claim, and the Sixth Circuit affirmed. First, the court held that the VICTORIA'S SECRET mark is highly distinctive and ranks "with those that are 'arbitrary and fanciful' and therefore deserving of the highest level of trademark protection." Pet. App. 13a. Because the Moseleys contested neither the fame of the VICTORIA'S SECRET mark nor the fact that they began using their mark after VICTORIA'S SECRET became famous, the court of appeals then turned to the question "whether their mark dilutes that of Victoria's Secret." *Id.*

After setting itself the task of determining "which factors will be taken into account in determining if dilution of a mark has occurred," *id.* at 15a, the court rejected the argument that respondents had to show that the use of VICTOR'S LITTLE SECRET had caused actual economic harm to their famous mark in order to establish dilution. Instead, the court of appeals held that the FTDA authorizes injunctive relief only *after* dilution has occurred, but "*before* dilution has actually caused economic harm to the senior mark." *Id.* at 24a (emphasis in original).

In determining that dilution "has, in fact, occurred" here, the court of appeals reviewed the record in light of the "non-exclusive list" of factors discussed by Judge Leval in *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 217-22 (2d Cir. 1999): distinctiveness, similarity of the marks, "proximity of the products and likelihood of bridging the gap;" "interrelationship among the distinctiveness of the senior mark, the similarity of the junior mark, and the proximity of the products;" "shared consumers and geographic limitations;" "sophistication of consumers;" actual confusion; "adjectival or referential quality of the junior use;" "harm to the junior user

and delay by the senior user;" and the "effect of [the] senior's prior laxity in protecting the mark." Pet. App. 25a-26a.

Applying these factors, the court of appeals found that the VICTORIA'S SECRET mark is "quite distinctive" because it "bears little logical relation" to women's lingerie, the goods that it principally identifies. Pet. App. 26a. It therefore deemed the mark "deserving of a high degree of trademark protection." *Id.* The Sixth Circuit then found that the "two marks in question are highly similar" and "semantically almost identical.'" *Id.* The court of appeals noted that the font used in the Moseleys' mark and the size and placement of the word "Little" made "the marks graphically similar as well." *Id.* As a result of these factors, the court had "little doubt" that a "consumer would link a store called 'Victor's Little Secret' that sold women's lingerie with the more famous Victoria's Secret." Pet App. 26a-27a. Because it found that "consumers who hear the name 'Victor's Little Secret' are likely automatically to think of the more famous store and link it to the Moseleys' adult-toy, gag gift, and lingerie shop," the court of appeals concluded that this case presented a "classic instance of dilution by tarnishing (associating the Victoria's Secret name with sex toys and lewd coffee mugs) and by blurring (linking the chain with a single, unauthorized establishment)." Pet. App. 27a.

SUMMARY OF ARGUMENT

This case presents a single question of statutory interpretation – whether the FTDA "requires objective proof of actual injury to the economic value of a famous mark." Pet. Br. i. The plain language of the statute answers that question with a decisive no. That text speaks nowhere of economic harm. Rather, it requires only that the owner of a famous mark establish that the defendant's use of a mark causes present lessening of the famous mark's capacity to distinguish – that is, its strength and distinctiveness. The structure, background, and purposes of the FTDA confirm its plain mean-

ing, and lead inevitably to the conclusion that proof of dilution does not encompass economic injury. The judgment should be affirmed.

I. The essence of a trademark is distinctiveness. A designation qualifies for protection as a mark only if it has the power to distinguish its owner's products or services from others by calling to mind an association with the owner's reputation. The greater a mark's distinctiveness, the more power it has to evoke its owner's product and reputation. The distinctiveness of the mark, in other words, is essential to its selling power, and to the extent of its protection.

Trademark law traditionally protected the distinctiveness of trademarks only if the competing use of another mark on similar products was likely to cause confusion. But a 1927 law review article by Frank Schecter led to the recognition that the use of a mark by a noncompetitor, on different products, with no likelihood of confusion, could still lessen distinctiveness by undermining the mark's strength and uniqueness. Schecter warned that such uses, even in the absence of confusion, would cause the "gradual whittling away" of the preexisting mark's distinctiveness and, ultimately, the selling power created by that distinctiveness.

To account for and prevent that gradual injury, many states enacted statutes barring trademark "dilution." Courts applied those statutes in two related but distinct circumstances: where the use of a junior mark "tarnished" a preexisting mark by causing a negative association with the senior mark, and where the association created by the junior use "blurred" the uniqueness of the senior mark. Both forms of dilution recognize that unauthorized uses of a trademark, "even if not confusing, nevertheless may harm the [trademark owner] by lessening the distinctiveness and thus the commercial value of the marks." *San Francisco Arts & Athletics, Inc. v. U.S. Olympic Comm.*, 483 U.S. 522, 539 (1987). Because the very point of the state statutes was to

prevent the ultimate loss in commercial value by preventing that "lessening [of] distinctiveness" up front, none of those statutes required proof of lost commercial value to obtain relief against the use of a dilutive junior mark. Congress enacted the FTDA to protect famous marks from the same lessening in distinctiveness addressed by the state statutes.

II. The sole question presented is whether the FTDA "requires objective proof of actual injury to the economic value of the famous mark" as a "precondition" for relief against a junior mark. Pet. Br. i. It plainly does not. The statute authorizes relief if a junior mark "causes dilution of *the distinctive quality* of the [senior] mark." 15 U.S.C. § 1125(c)(1) (emphasis added). The FTDA defines "dilution" as the "lessening of the capacity of a famous mark to identify and distinguish goods and services." *Id.* § 1127. Dilution, in other words, is not the lessening of the actual "selling power" or "economic value" of the mark, as petitioners would have it, but a lessening of the capacity of the mark to be distinctive. This definition is consistent both with the plain language of the statute, which makes no reference to actual economic harm, and with the background of dilution law and its recognized purpose of protecting economic value by protecting against the gradual lessening of distinctiveness. The introduction of an economic harm requirement would flatly contradict that essential purpose. It would also be inconsistent with the statute's incorporation of "principles of equity" and its broader remedial structure, which authorizes only forward-looking injunctive relief for non-wilfull dilution. It is implausible that Congress would have forced the owners of famous marks to endure the lessening of their marks' distinctiveness until they could prove economic harm, and then barred them from recovering damages for that injury in most cases. Indeed, such a result would be absurd in the context of dilution, for equitable relief cannot undo the lessening in distinctiveness that has already occurred by the time economic harm can be established in

court. Once a mark has been tarnished in consumers' minds by a negative association – with a porn shop, for example – the mental association, and therefore the dilution injury, is effectively permanent. Only an injunction at the very outset of the lessening can avoid that problem.

Petitioners' extra-textual arguments do not justify a different result. Their characterizations of the FTDA as creating perpetual monopoly rights, or as creating rights in gross, are demonstrably incorrect, and do not even suggest how a requirement of demonstrable economic harm would resolve the asserted problem. Their suggestion that the First Amendment compels an economic harm requirement is also meritless: this case involves an injurious commercial use, not use of a mark in news commentary or parody. This Court has already held that the First Amendment does not bar application of dilution law in the former circumstance. *San Francisco Arts*, 483 U.S. at 535. Finally, practice before the PTO and litigation under state statutes amply demonstrate that courts can administer the FTDA without an economic harm requirement.

III. The court below properly held that petitioners' use of VICTOR'S LITTLE SECRET to sell "adult" films and sex toys alongside lingerie tarnished and blurred respondents' famous mark, thereby lessening its distinctiveness and causing present "dilution." In reaching this conclusion, the court relied on a range of evidence, including the particular distinctiveness of respondents' mark, its uniqueness and widespread familiarity among consumers, the substantial similarity between the marks, the nature of the uses of the two marks in commerce, and, most important, the negative association created by petitioners' use of a similar mark to sell lewd sex toys and other pornographic material. The dilution finding is unassailable, and the judgment should be affirmed.

IV. Although the Solicitor General agrees that the FTDA does not require a showing of actual economic harm, he suggests that this Court should set aside the judgment below for three *other* reasons. First, he claims that the court below did not clearly require a finding of present, as opposed to future, dilution. But the court plainly required a finding of present dilution, defined as a lessening of the capacity of the famous mark to distinguish. Second, the Solicitor General argues that the court below found dilution solely on the basis of semantic similarity between the marks sufficient to cause mental association. This too is incorrect; the court explicitly found dilution on the basis of *numerous* contextual factors. Finally, on the mistaken premise that the court found dilution on the basis of mere similarity, the Solicitor General suggests that a consumer survey is needed to supplement the record. The suggestion is not only inappropriate (the petitioners do not raise anything like it at all) and misplaced (given the sufficiency of the record evidence), it is also questionable on its own terms, for the value of consumer surveys already has been subject to question.

ARGUMENT

The court of appeals found that petitioners' use in commerce of the VICTOR'S LITTLE SECRET mark causes dilution of the VICTORIA'S SECRET mark. Pet. App. 15a, 25a. The court based that conclusion on a series of contextual factors designed to illuminate whether use of the junior mark causes a "lessening of the capacity" of a famous mark "to distinguish goods and services" by diluting its "distinctive qualities." 15 U.S.C. §§ 1125(c), 1127. The court concluded that the mental association conjured by the similarity of the two marks, given the particular features and uses of the marks – especially the tawdry image invoked in the mind of any consumer familiar with the lewd products sold under the VICTOR'S LITTLE SECRET mark – both tarnishes and blurs the VICTORIA'S SECRET mark, and thus dilutes the distinctive qualities respondents had established. The court did not, however, demand proof that the diminution in the

distinctive qualities of respondents' mark had already caused actual economic harm to the mark. That decision was correct: nothing in the text, structure or purpose of the statute requires such proof. To the contrary, the entire point of the FTDA is to allow a mark holder to stop the use of a dilutive junior mark *before* its dilutive effect spreads and inflicts demonstrable, and typically irrevocable, economic harms.

I. THE FTDA CODIFIES WELL-ESTABLISHED PRINCIPLES OF DILUTION LAW, DESIGNED TO PROTECT INVESTMENTS IN AND VALUE OF FAMOUS TRADEMARKS.

Though petitioners profess to center their argument for economic harm on the statutory text, they never point to any textual language stating or even suggesting that proof of actual economic harm is required to establish dilution. *See infra* at 32. In fact, their argument rests on a deeply flawed characterization of the background and goals of dilution law in general and the FTDA in particular.

A. Background – Distinctiveness and Dilution

1. Distinctiveness has always been the essential quality of a trademark. Under the Lanham Act, a mark is entitled to registration and protection only if it can identify and distinguish the goods and services of one party from those of another; that is, only if the mark is distinctive. *See* 15 U.S.C. §§ 1052, 1127. As this Court has explained, trademark protection turns on a mark's distinctiveness: "An identifying mark is distinctive and capable of being protected if it either (1) is inherently distinctive or (2) has acquired distinctiveness through secondary meaning." *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 770 (1992); *see also* Restatement (Third) of Unfair Competition § 13, cmt. a (1995) ("Restatement") ("[A] designation is protectible as a trademark . . . only if [it] is 'distinctive.'").

The law divides marks into categories of "generally increasing distinctiveness," describing them as "(1) generic; (2) descriptive; (3) suggestive; (4) arbitrary; or (5) fanciful." *Two Pesos*, 505 U.S. at 768 (citing *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 (2d Cir. 1976) (Friendly, J.)). The latter three categories are "inherently distinctive," and thus subject to automatic protection; "generic" marks, which merely "refe[r] to the genus of which the particular product is a species," receive no protection. *Two Pesos*, 505 U.S. at 768-69 (internal quotation marks omitted). Descriptive marks are entitled to protection only if they have acquired secondary meaning (*i.e.*, "acquired distinctiveness"). *Id.* at 769.

A mark's distinctiveness determines not only its entitlement to trademark protection, but also the extent of the protection that it receives. Because the "distinctiveness or 'strength' of a mark measures its capacity to indicate the source of the goods or services with which it is used," a "strong" mark with "a high degree of distinctiveness" is "protected against the use of similar marks on a wider range of goods or services than are 'weak' designations that have less distinctiveness or market recognition." Restatement § 21 cmt. i; *see also* 2 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 11:73 ("McCarthy") (noting that "the more distinctive, unique, and well-known the mark, the deeper the impression it creates upon the public's consciousness and the greater the scope of protection to which it is entitled").

The law also recognizes that a mark loses its distinctiveness when others use identical or similar marks. *See* Restatement § 15 cmt. c. As Professor McCarthy has explained, a "mark that is hemmed in on all sides by similar marks on similar goods cannot be very 'distinctive.'" 2 McCarthy § 11:83. Thus, a defendant in trademark litigation can demonstrate that the plaintiff's mark is weak, and there-

fore entitled to limited protection, by showing third-party use of similar marks. *Id.* § 11:88. By definition, then, a trademark that stands alone, with no third-party uses, is more distinctive than a mark reproduced and imitated by others, and thus more capable of being protected by the courts.

Trademark owners have an affirmative duty to police and protect the distinctiveness of their marks. Indeed, the "law imposes upon trademark owners the duty to be pro-active and to police the relevant market for infringers." *Id.* § 11:91. When a "trademark owner is quiescent and tolerates the encroachment of infringers, it will find that its trademark asset has 'eroded' and 'shrunken' because the strength of the mark as a distinctive and distinguishing symbol has been diminished by the presence of similar marks." *Id.*

2. Federal trademark law protects the distinctiveness of trademarks through two closely related concepts: infringement and dilution.

a. Trademark "infringement" occurs from the unauthorized use of a trademark likely to cause confusion among consumers. Since its enactment in 1946, the Lanham Act, 15 U.S.C. § 1051 *et seq.*, has sought to protect the interests of both consumers and trademark owners. *See Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 163-64 (1995). By barring the use of marks likely to cause confusion, the infringement action protects consumers by "reduc[ing] the costs of shopping and making purchasing decisions." *Id.* at 163-64 (citation and internal quotation marks omitted). By preventing competitors from marketing their goods under the same or a confusingly similar mark, an action for infringement protects the trademark owner, by assuring the "producer that it (and not an imitating competitor) will reap the financial, reputation-related rewards associated with a desirable product." *Id.* at 164; *see also* Restatement § 1 cmt. e ("The recognition of rights in trademarks also serves to protect and encourage investments in good will by insuring the trade-

mark owner an opportunity to capture the benefits of a favorable reputation created through expenditures on qualities, service, and promotion.").

In enacting the Lanham Act, Congress acknowledged these twin goals: "One is to protect the public so that it may be confident that, in purchasing a product bearing a particular trade-mark which it favorably knows, it will get the product that it asks for and wants to get. Secondly, where the owner of a trade-mark has spent energy, time, and money in presenting to the public the product, he is protected in his investment from its misappropriation by pirates and cheats." S. Rep. No. 79-1333, at 1, *reprinted in* 1946 U.S.C.C.A.N. 1274. These two purposes overlap, for as this Court has observed, "trademarks desirably promote competition and the maintenance of product quality." *Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 193 (1985).

b. Trademark "dilution" law arose from the recognition that that the infringement action's focus on the likelihood of customer confusion does not adequately protect the interests of trademark owners. In 1927, Professor Frank Schechter published an influential article arguing that the owner of a "coined," "arbitrary," or "distinctive" mark – the strongest types of trademarks – suffers an essential trademark injury when another party uses its mark, *even in the absence of competition or confusion*. *See* Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 Harv. L. Rev. 813 (1927) ("Schechter"). This article, frequently credited with introducing the concept of dilution to the United States, *see, e.g.*, Restatement § 25 cmt. b, began with the premise that the central purpose of a trademark is to call up in the consumer's mind an association with the mark and other similarly marked products the consumer has previously identified as satisfactory. Schechter, *supra*, at 818. That consistent association with the mark helps to "stimulate further purchases by the consuming public," *id.*, thus creating "selling

power" in the mark, *id.* at 831. The extent of the mark's "selling power" depends on the mark's "uniqueness and singularity," which is "vitiated or impaired" by the use of the mark "upon either related or non-related goods." *Id.* The trademark injury unrecognized by the confusion-based infringement action, Schechter argued, occurs gradually when repeated, individually nonconfusing uses over time erode a mark's uniqueness, and thus the consistency and strength of its singular association with its owner. Limiting trademark remedies to cases of confusion, he cautioned, would allow junior users to apply unique and distinctive marks to unrelated items, over time eroding and ultimately destroying the uniqueness of those marks, "despite the originality and ingenuity in their contrivance, and the vast expenditures in advertising." *Id.* at 830. Schechter described this harm as the "gradual whittling away or dispersion of the identity and hold upon the public mind." *Id.* at 825.

B. State Dilution Statutes

1. Despite the emerging recognition of the need for protection against trademark dilution as well as infringement,[2] when Congress enacted the Lanham Act in 1946, it did not include provisions prohibiting dilution. In the absence of federal legislation to address this problem, many states, beginning with Massachusetts in 1947, enacted laws authorizing injunctive relief against the use of marks that could reduce the distinctiveness of senior marks. By 1995, at least 25 states had passed dilution statutes. *See* Restatement § 25

[2] In the years following Schechter's article, though courts formally continued to define the trademark action in terms of infringement causing consumer confusion, they also began to expand their analyses to account for the independent value a unique mark confers on its owner. *See, e.g., Yale Elec. Corp. v. Robertson*, 26 F.2d 972, 974 (2d Cir. 1928) (Hand, J.); *Tiffany & Co. v. Tiffany Prods., Inc.*, 264 N.Y.S. 459 (Sup. Ct.), *aff'd*, 237 A.D. 801 (N.Y. App. Div. 1932), *aff'd*, 188 N.E. 30 (N.Y. 1933).

statutory note. Most of these states derived their dilution statutes from Section 12 of the Model State Trademark Bill ("MTSB"), promulgated by the United States Trademark Association ("USTA") in 1964, which provides: "Likelihood of injury to business reputation or of the dilution of the distinctive quality of a mark . . . shall be a ground for injunctive relief notwithstanding the absence of competition between the parties or the absence of confusion as to the source of the goods." MTSB § 12 (USTA 1964), *reprinted in* International Trademark Association, State Trademark and Unfair Competition Law 1-9 (1994).

2. Some state courts were initially reluctant to depart from analyses predicated on consumer "confusion" despite the plain language of the state statutes. *See* 2 Jerome Gilson, *Trademark Protection & Practice* § 5.12[1][b], at 5-229 (Dec. 2001) ("Gilson"). The courts, however, came to accept Schechter's insight that that even without confusion, the gradual loss of a mark's distinctiveness inexorably erodes the strength of the association between the mark and the reputation it seeks to evoke, slowly undermining the value of the mark. The common metaphor courts invoked was one of disease, cancer, or infection, which at first may not be painful or even identifiable, but if left unchecked will spread and ultimately inflict serious injury. *See, e.g., Allied Maint. Corp. v. Allied Mechanical Trades, Inc.*, 369 N.E.2d 1162, 1162 (N.Y. 1977) (describing dilution as a "cancer-like growth of dissimilar products or services which feeds upon the business reputation of an established distinctive trademark or name"); *Ameritech, Inc. v. Am. Info. Techs, Corp.*, 811 F.2d 960, 965 (6th Cir. 1987) (dilution is a "gradual diminution in the mark's distinctiveness, effectiveness, and, hence, value"); *Polaroid Corp. v. Polaroid, Inc.*, 319 F.3d 830, 836 (7th Cir. 1963) ("[D]ilution is an infection which, if allowed to spread, will inevitably destroy the advertising value of the mark.") (citation and internal quotation marks omitt[illegible]); *Mortellito v. Nina, Inc.*, 335 F. Supp. 1288, 1296

(S.D.N.Y. 1972) (same). The cases reflect the "classic view" that "the injury caused by dilution is the gradual diminution or whittling away of the value of the famous mark by blurring uses by others." 4 McCarthy § 24-94.

Courts applying state laws also came to recognize that dilution can take two forms: "blurring" and "tarnishment." Restatement § 25 cmt. c. Dilution by "blurring" occurs when the use of a similar mark or marks reduces the "stimulant effect" of a trademark's uniqueness and distinctiveness. *Id.* When a mark is "associated exclusively with the goods or services" of a single owner, subsequent uses of the mark or similar marks in connection with other products create a "dissonance" that reduces the distinctiveness and selling power of the original mark. *Id.* As Professor McCarthy has explained, dilution by blurring occurs when a party uses a formerly unique mark to identify a different product and, although there is no confusion as to the source, the "ability of the senior user's mark to serve as a unique identifier of [its] goods and services is weakened because the relevant public now also associates that designation with a new and different source." 4 McCarthy § 24:70.[3]

Dilution by "tarnishment" occurs when the use of a similar mark links a famous mark with something "inherently negative or unsavory," thereby "tarnishing" the image of the famous mark. Restatement § 25 cmt. c. By creating a negative mental association of this kind, the junior use disrupts the positive feelings associated with the senior mark, and substitutes a negative association, thereby reducing its effectiveness. Claims of dilution by tarnishment – when the defendant has used a senior mark "in an unwholesome or degrading context" – have had "relatively consistent success." 4 McCarthy § 24-104. "[A]lthough conceptually distinct," dilution by blurring and tarnishment "both undermine the selling power of a mark." Restatement § 25 cmt. c.

[3] Judge Kozinksi recently provided a helpful example: if a manufacturer began to market "Tylenol snowboards," dilution would result because "[e]ven if no one suspects that the maker of analgesics has entered into the snowboard business, the Tylenol mark will now bring to mind two products, not one." *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 903 (9th Cir. 2002).

C. The Enactment Of The FTDA

The FTDA emerged from this background. By the time of its enactment, state legislatures, courts, and commentators had come to understand that the value of trademarks derives from their distinctiveness. As this Court itself observed in 1987, unauthorized uses of a trademark, "even if not confusing, nevertheless may harm the [trademark owner] by lessening the distinctiveness and thus the commercial value of the marks." *San Francisco Arts*, 483 U.S. at 539. This Court also recognized the emergence of a general consensus that the value of such trademarks could suffer gradual erosion through the use of similar or identical marks, even without consumer confusion. *See id.* ("one injury to the trademark owner" is "'the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name' by nonconfusing uses" (quoting Schechter, *supra*, at 825)). These considerations generated momentum for federal legislation protecting "famous" trademarks from dilution.

1. After an initial legislative effort failed in 1987, Congress returned to the problem in 1995, driven by concerns that differences among the state dilution statutes, and the reluctance of state courts to enter nationwide injunctions to enforce them, were leading to uneven commercial protections. *See* H.R. Rep. No. 104-374, at 3 (1995) ("House Report"). The bill's sponsors and many of its supporters explicitly credited Schechter with first identifying the problem the bill sought to address.[4] Consistent with the classic view

[4] *See Madrid Protocol Implementation Act and Federal Trademark Dilution Act of 1995: Hearing on H.R. 1270 and 1295 Before the Sub-*

of dilution, the House Report notes that the "purpose of [the FTDA] is to protect famous trademarks from subsequent uses that blur the distinctiveness of the mark or tarnish or disparage it, even in the absence of a likelihood of confusion." *Id.* at 2. The House Report also recognizes that dilution is a gradual, progressive process, rather than a discrete injury that occurs at a single moment in time. Quoting the *Mortellito* case, the House Report describes "dilution" as "an infection, which, if allowed to spread, will inevitably destroy the advertising value of the mark." *Id.* at 3.

2. The FTDA became law in January 1996. As the foregoing discussion makes clear, the FTDA's protection against dilution was not a radical concept. Rather, the FTDA grew out of a long history and responded to particular needs by providing targeted protection for especially valuable "famous" trademarks. The legal system had recognized long ago that the distinctiveness of such marks creates value, and that the distinctiveness – and hence *ultimately* the value – of a mark can be gradually "whittled away" by the use of the same or similar marks even in circumstances that risk no consumer confusion.[5] In the FTDA, Congress responded by

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comm. on Courts and Intellectual Property of the House Comm. on the Judiciary, 104th Cong., at 2 (1995) (statement of Rep. Moorhead, sponsor of House bill); *id.* at 124 (statement of Thomas E. Smith, Chair, Intellectual Property Section, American Bar Association), *id.* at 161 (statement of Jonathan E. Moskin, Partner, Pennie & Edmonds), *id.* at 208-09 (statement of Michael K. Kirk, Executive Director, American Intellectual Property Law Association); *see also* 141 Cong. Rec. H14317 (daily ed. Dec. 12, 1995) (statement Rep. Moorhead); 141 Cong. Rec. S19310 (daily ed. Dec. 29, 1995) (statement of Sen. Hatch).

[5] Petitioners suggest that trademark dilution laws protect only the interests of mark owners and not those of the consuming public. Pet. Br. 12-13. That is incorrect: there is little doubt that protection against dilution confers broader economic benefits. *See* William M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J. L. & Econ. 265, 306-09 (1987) (discussing economic benefits of dilution law).

creating a nationwide mechanism to stop such dilution before its economic damage is done.

II. THE FTDA DOES NOT REQUIRE PROOF OF ACTUAL ECONOMIC HARM AS AN ELEMENT OF DILUTION.

The only question on which this Court granted certiorari is whether the FTDA "requires objective proof of actual injury to the economic value of the famous mark" as a "precondition" for relief. Pet. Br. i. The statute plainly does not. Consistent with its background and purposes, the FTDA authorizes relief whenever a junior mark causes a lessening of the distinctiveness of the senior mark. As dilution law has long recognized, the economic harm that such a lessening inflicts upon a famous mark occurs gradually, over time, as one use piled on top of another whittles away the distinctiveness, and hence value, of the famous mark. The point of the FTDA, like the state statutes that predate it, is to stop the process at its inception, when dilution first occurs, *before* it inflicts identifiable and irreversible economic damage.

A. Nothing In The Text, History, Structure, Or Purposes Of The FTDA Supports An Actual Economic Harm Requirement.

In interpreting a federal statute, this Court begins with the plain language, *see Robinson* v. *Shell Oil Co.*, 519 U.S. 337, 340 (1997), and also examines the broader context and goals of the statute. *See Crandon v. United States*, 494 U.S. 152, 158 (1990) ("[W]e look not only to the particular statutory language, but to the design of the statute as a whole and to its object and policy"). These factors makes clear that the FTDA does not require proof of actual economic injury. Indeed, to read the FTDA as including such a requirement would violate the cardinal principle that a statute should be construed to advance its basic purpose and to avoid absurd results. *See Trans Alaska Pipeline Rate Cases*, 436 U.S. 631, 643 (1978).

1. The plain text of the FTDA requires nothing more than proof that use of a junior mark "causes *dilution of the distinctive quality* of the [senior] mark." 15 U.S.C. § 1125(c)(1) (emphasis added). The injury expressly identified in that text is no more than reduction of the mark's "distinctive quality" – not of the mark's "selling power" or "economic value" or "market value." The statutory definition of "dilution" further confirms the point: "dilution" is not defined as loss in selling power or in market value, but as the mere "lessening of the capacity of a famous mark *to identify and distinguish* goods or services." *Id.* § 1127 (emphasis added). The statutory phrase "to identify and distinguish goods or services," is taken from the Lanham Act's definition of a trademark, *see* 15 U.S.C. § 1127, where it specifies distinctiveness as the core characteristic of words entitled to trademark protection. Thus, what the FTDA protects from "lessening" can be "summed up in a single word: distinctiveness." 2 Gilson § 5.12[1][c][i], at 5-232. Dilution under the statute occurs, in other words, as soon as a junior use causes any lessening of the senior mark's distinctiveness, not when the use causes a lessening of the mark's identifiable economic value. As the House Report that accompanied the FTDA put it, the FTDA applies the moment "the unauthorized use of a famous mark reduces the public's perception that the mark signifies something unique, singular, or particular." H.R. Rep. No. 104-374, at 3; *see* 2 Gilson § 5.12[1][c][i], at 5-232 ("If the allegedly diluting trademark lessens the distinctiveness of the famous mark, on the face of it there is a violation of [the FTDA]"). As discussed above, associations with unwholesome products and other third-party uses by definition diminish a mark's distinctiveness, causing the dilution injury before any economic harm results.

This understanding flows naturally from every word of the FTDA's operative language. An injunction is available, "subject to principles of equity," as soon as the junior use "causes dilution," namely the "lessening" of the famous

mark's "capacity to distinguish goods and services." One after the other, these words refute any notion that the statute requires economic harm. First, as discussed below, *see infra* at 29-30, the choice of injunctive relief and the invocation of equitable principles indicate that the owner of a famous mark may obtain relief before experiencing actual economic harm. Second, the use of the gerund "lessening" – rather than a noun such as "loss" or "reduction," or a verb such as "lessens" or "lessened" – reinforces the point that dilution is not just an end-result loss of all distinctiveness, but also a gradual process of diminution, unfolding over time. Third, the word "capacity" denotes the "ability," "power," "possibility," or "potential" for the mark to be distinctive.[6] Thus, the word "capacity" makes clear, at a minimum, that the use of any junior mark that diminishes the distinguishing *power* of the famous mark immediately "causes dilution" of that mark's distinctive quality, even if the financial effects of that lost power are not yet demonstrable.[7] At every turn of the statutory phrase, the FTDA emphasizes that the owner of a famous mark is entitled to injunctive relief to prevent eco-

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[6] *See* 1 *The New Shorter Oxford English Dictionary* (1993) (defining "capacity" as "[a]n ability, power, or propensity for some specified purpose, activity, or experience; a susceptibility, a possibility"); *American Heritage Dictionary of the American Language* (4th ed. 2000) ("ability to perform or produce; capability"; and "[i]nnate potential for growth, development, or accomplishment; faculty"); *Webster's Revised Unabridged Dictionary* (1996) ("[a]bility; power pertaining to, or resulting from, the possession of strength, wealth, or talent; possibility of being or of doing").

[7] Professor McCarthy argues that the use of the word "capacity," builds a standard of "likely dilution" "right into the definition of what causes dilution." 4 McCarthy § 24-90; *see also* Brief *Amicus Curiae* of the American Bar Association, at 5 (arguing, in light of dictionary definition of "capacity," that "the concept of potentiality, and thus of futurity, is inherent in the term "dilution" under the FTDA). Whether or not one accepts this view, it makes clear that "capacity" is fundamentally inconsistent with a requirement of actual economic harm.

nomic harm that will occur down the road, and need not wait until it can prove such economic harm has already occurred.

Notably, the Solicitor General, speaking for the PTO, fully agrees that the FTDA contains no "requirement that a plaintiff establish economic harm in order to qualify for relief." U.S. Br. 25. What the "text of the FTDA" requires is "proof that junior use causes a lessening in the capacity of the famous mark to distinguish good and services; it does not require a finding that such lessening results in economic harm to the owner of the famous mark." *Id.* "In particular," the Solicitor General emphasizes, "there is no requirement that a dilution plaintiff establish that the defendant's use of a mark has caused consumers to purchase less of a particular product or has caused the market value of the famous mark to fall." *Id.*

2. As discussed in Part I, Congress enacted the FTDA with the express purpose of codifying Schechter's insight, also reflected in the state dilution statutes, that trademark law must account for – and prevent up front – the injury that occurs gradually, over time, as a famous mark loses its unique association with the reputation its owner has sought to foster. To impose a requirement, absent from the text of the statute, that the necessary "lessening" of distinctiveness be established only through evidence of actual economic harm to the famous mark, would frustrate that congressional purpose.

Congress enacted the FTDA in express recognition of the view that dilution is "an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark." H.R. Rep. No. 104-374 (quoting *Mortellito*, 335 F. Supp. at 1296). Consistent with that view, the House Report lists "DUPONT shoes, BUICK aspirin, and KODAK pianos" as trademark uses that "would be actionable under this legislation," without any mention of the need to demonstrate economic injury. *Id.* But the point is not that Congress had no concern for economic injury at all. Quite to the contrary,

Congress, in accordance with Schechter's insight, *presumed* that dilution would ultimately result in economic harm. *See* U.S. Br. 25 ("Congress expected that the lessening of the capacity of a mark to distinguish goods and services would result in such economic harm, particularly over time."). The purpose of the FTDA is to allow the owners of famous, distinctive marks to prevent that harm before it occurs, by stopping dilution as soon as it begins.

Requiring FTDA plaintiffs to wait until the "infection" has spread far enough to cause demonstrable economic injury would frustrate this fundamental purpose. Dilution law has always recognized the difficulty of proving identifiable economic damage in the early stages, when the disease has only set in. To change the metaphor, the injury is like "being stung by a hundred bees," where the "significant injury is caused by the cumulative effect, not just by one." 4 McCarthy § 24:94; *see also Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Celozzi-Ettelson Chevrolet, Inc.*, 855 F.2d 480, 484 (7th Cir. 1988) (noting that the "very nature of dilution, insidiously gnawing away at the value of a mark, makes the injury 'remarkably difficult to convert into damages'") (citation omitted). And even down the road, after the junior use – or repeated similar junior uses – has actually reduced the value of the mark, it remains impossible in many cases to prove in court the causal connection between any one junior use and the senior mark's lost value. On one hand, if the senior user can generate profits even as the uniqueness of its mark decreases, it may "never be able to show diminished revenues, no matter how obvious it was that the junior use diluted the distinctiveness of the senior." *Nabisco*, 191 F.3d at 223-24. On the other hand, even if the senior user can demonstrate diminished revenue, "it would be extraordinarily speculative and difficult to prove that the loss was due to the dilution of the mark." *Id.* at 224. An economic injury requirement thus would ensure not only that most dilutive uses could not be stopped until they have cut

deep into the senior mark's distinctiveness, but also that many dilutive marks would never be enjoined at all.[8] It is hard to imagine Congress would have included in the statute a requirement that leads to results so contrary to the statute's fundamental goal.

3. The basic remedial structure of the FTDA further confirms that Congress intended to allow the owners of famous, distinctive marks to stop diluting junior uses before the onset of identifiable economic harm. The FTDA provides relief to the victims of non-willful dilution *only* in the form of forward-looking injunctive relief – that is, a senior mark holder cannot recover damages – and only subject to "principles of equity." 15 U.S.C. § 1125(c)(2).

a. The absence of a damage remedy for non-willful dilution indicates that Congress did not mean to require mark owners to prove economic damages. In ordinary cases, the owners of famous marks will be entitled only to injunctions, and not to compensation. If such owners have no remedy until after they have experienced economic harm, and yet the available remedies would not redress that harm in most instances, then the statute would require trademark owners to sit by and suffer losses that are by definition non-

[8] Trademark law also recognizes the difficulty inherent in proving damages caused by infringement. *See* Restatement § 36 cmt. b ("In a competitive market, proof of loss resulting from the wrongful conduct of a particular competitor is often difficult. The plaintiff's sales are subject to a variety of forces, including business cycles, shifts in consumer demand, and the legitimate marketing strategies of competitors."). For this reason, economic harm is not an element of a claim of trademark infringement or unfair competition under the Lanham Act. *See, e.g.*, 5 McCarthy § 30:2 ("In trademark and unfair competition matters, the controlling legal standard for the remedy of an injunction is not whether the plaintiff can prove that actual damage has occurred to its good will and reputation."). It makes no more sense to graft such a requirement onto the dilution claim.

compensable. It is implausible to infer that Congress would have intended such a result.

b. More generally, the "principles of equity" that govern the available remedies indicate strongly that proof of actual economic harm is unnecessary. First, principles of equity traditionally permit relief *before* any actual economic injury has yet been inflicted. It is well established that an "injunction may issue to prevent future wrong, although no right has yet been violated." *Swift & Co. v. United States*, 276 U.S. 311, 326 (1928); *see United States v. Oregon State Med. Soc'y*, 343 U.S. 326, 333 (1952) ("sole function of an action for injunction is to forestall future violations"); *United States v. W.T. Grant Co.*, 345 U.S. 629, 633 (1953) ("The purpose of an injunction is to prevent future violations . . . and, of course, it can be utilized even without a showing of past wrongs."). Because the basic purpose of injunctive relief is to prevent harm before it happens, it would make little sense to require plaintiffs to wait until after the effects of the dilution have manifested themselves in the form of demonstrable economic harm. To be sure, a plaintiff must show that there has already been a statutory injury – *i.e.*, the beginning of the loss of distinctiveness. But neither the statute nor traditional equity practice requires a showing of past or present *economic* injury to issue an injunction to prevent the future economic injury that flows from the loss of distinctiveness. With this background, it is implausible that Congress would have made economic injury a condition for injunctive relief.

Second, if FTDA plaintiffs must wait until there is demonstrable economic harm, the same "principles of equity" that traditionally allow a remedy prior to economic injury might actually bar courts from providing relief in many circumstances. Given the nature of dilution, it might take years for such loss to materialize, and even longer for the senior mark holder to accumulate evidence of the loss adequate to sustain a claim in court. Any junior user – indeed countless

junior users – could lawfully use similar marks all that time. By the time the senior user suffers identifiable injury, junior users may have invested considerable resources in developing their marks.[9] Under those circumstances, a court following "principles of equity" may be reluctant to enter injunctive relief "unwinding" all of the junior users' investments, even upon a showing of economic injury.[10]

Third, and perhaps most important, an injunction would in many cases be a patently insufficient remedy for the erosion in distinctiveness that has finally led to identifiable economic injury. It may be impossible for a court to undo the loss in distinctiveness that has already occurred – to unring the bell, as it were. As we have seen, the point of dilution law is to protect against the loss of a mark's power to create a singular association in the mind of a potential consumer between the mark and the mark holder's goods and services. Once that association has been altered in the mind of a consumer, it cannot easily be restored. If a mark has been di-

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[9] It is no answer to suggest that the damages remedy for willful dilution would prevent others from using dilutive marks while the senior user waits to suffer economic injury. On the one hand, the senior user may never be able to prove that the junior use was willful; on the other hand, the junior user may honestly have believed in good faith that the mark was not dilutive. The statute avoids all these problems by allowing the parties to resolve the matter up front, before the dilution spreads.

[10] There is also a related, substantive problem with allowing a junior user to continue its uses until the famous mark holder can establish economic harm: it risks depriving the holder of the "fame" required to seek relief under the FTDA. In determining whether a mark is "famous," and therefore entitled to protection under the FTDA, courts consider, among other factors, the "nature and extent of the use of same or similar marks by third parties." 15 U.S.C. § 1125(c)(1)(G). A mark is more likely to achieve the necessary fame if it is unique. *See* 4 McCarthy § 24:92 ("A mark that is merely one in a crowd of similar marks will not usually be famous."). By the time that a mark owner can demonstrate actual economic harm, third-party uses may have proliferated so much that the original mark is no longer "famous" and entitled to FTDA protection.

luted by tarnishing to the point of economic injury, a court cannot simply enjoin the consumers who now have a distasteful association with the mark to alter that association. *See, e.g., Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, 205 (2d Cir. 1979) (enjoining a pornographic film involving use of uniform similar to that of the Dallas Cowboys Cheerleaders: "it is hard to believe that anyone who had seen defendant's sexually depraved film could ever thereafter disassociate it from plaintiff's cheerleaders"); Robert C. Denicola, *Trademarks As Speech: Constitutional Implications of the Emerging Rationales for the Protection of Trade Symbols*, 1982 Wis. L. Rev. 158, 203 ("affixing of undesirable associations to the trademark, once done, cannot be undone by further speech").

Thus, for example, if a nationwide chain of pornography stores opened under the name VICTOR'S LITTLE SECRET, surely respondents would not have to await actual economic injury before halting the use of the mark. For if they were required to wait, a court could not then "unmake" the tarnishing effects of such a use on the VICTORIA'S SECRET mark. At the same time, if just one pornography store of that name opened in a small town in a Kentucky, and the lack of demonstrable economic injury denied respondents injunctive relief, nothing in the law could stop the same or similarly named stores – VICTOR'S SPECIAL SECRET, VICTOR'S HIDDEN SECRET, and the like – from spreading nationwide, one market at a time, until economic damage is done. When all of that lessening of the VICTORIA'S SECRET mark's distinctiveness finally results in demonstrable economic injury, courts might or might not exercise their equitable powers to enjoin those uses. What is certain, however, is that even if they did, the tarnishment injury would be impossible to undo. For all of these reasons, the law allows – indeed compels – respondents to act promptly to halt the use of a mark like VICTOR'S LITTLE SECRET, that creates a tawdry association with respondent's mark, regardless

of the size of the market in which it is first used or the number of customers that it can initially reach.

B. Petitioners' "Textual" Arguments For An Economic Harm Requirement Are Meritless

There is no reading of the FTDA that locates an economic harm requirement anywhere in the statutory text.

1. Petitioners' only textual argument is that the FTDA permits injunctive relief when a mark "causes dilution," in contrast both to the Lanham Act infringement standard – which authorizes relief for marks "likely to cause confusion," 15 U.S.C. §§ 1114, 1125(a) – and to the pre-FTDA state dilution statutes – which typically authorize relief when a mark is "*likely* to cause dilution," *supra* at 19. Pet. Br. 22-26; U.S. Br. 13-14. Petitioners contend that the omission of the word "likely" and the use of the present tense verb "causes" means that a mark holder must prove that dilution is *already* occurring to obtain relief.

This is all quite true. It is also transparently question-begging. The question here is not whether the FTDA requires proof that *dilution* is already occurring – it plainly does, as we have shown. The question is whether the FTDA requires proof that *economic harm* is already occurring – it plainly does not, as we have also shown. All agree, in other words, that the FTDA requires proof of present "dilution." But petitioners indicate nothing in the statute to show that dilution necessarily encompasses proof of already realized economic harm. As demonstrated above, such a requirement contradicts the text, structure, and purposes of the Act. Petitioners have no response.

2. The Fourth Circuit in *Ringling Brothers* suggested a further textual basis for an economic injury requirement. That argument asserts that the FTDA's use of the phrase to "distinguish goods and services" must mean that the FTDA seeks to protect "selling power," rather than merely "distinctiveness as such." *Ringling Bros.-Barnum & Bailey Combined Shows, Inc., v. Utah Div. of Travel. Dev.*, 170 F.3d 449, 458 (4th Cir. 1999).

While this argument at least attempts to locate an economic injury requirement in the statutory text, the attempt is still a demonstrable failure. On its face the statutory phrase "to identify and distinguish goods and services" does not define the power of the mark to "sell" goods, but merely to "identify and distinguish" them. As already noted, the phrase "identify and distinguish" refers simply to the distinctiveness of the mark. 2 Gilson § 5.12[1][c][I], at 5-232. What the Act intends to protect directly, in other words, *is* "distinctiveness as such" – its singular association in the public perception. But that hardly means selling power is irrelevant. As shown above, the central premise of the FTDA, like all dilution law before it, is that one can protect a mark's selling power adequately only by protecting its distinctiveness and uniqueness. *See supra* at 17-18. Congress presumed that, unchecked, the lessening of "distinctiveness as such" would ultimately diminish selling power. In this sense the term "dilution" has always done "double duty" by describing both an end harm – the loss of selling power – and the process of lessening distinctiveness that causes it. The plain text of the FTDA makes clear that the statute aims to prevent the former by allowing courts to stop the latter.

C. Petitioners' Extra-Textual Arguments For An Economic Requirement Are Meritless

Though they criticize the court below for allegedly interpreting the FTDA in light of policy, rather than its plain text, petitioners themselves rely heavily on various extra-textual arguments to support the imposition of an actual economic harm standard. At the end of the day, these policy arguments boil down to a basic disagreement with Congress' decision to

enact the FTDA. They provide no support for an actual economic harm requirement.[11]

1. *This Case Raises No First Amendment Concerns*

Petitioners argue that an actual economic injury requirement is necessary to avoid an "'excessive restriction' on First Amendment rights." Pet. Br. 31 (quoting *Central Hudson Gas & Elec. Corp. v. Public Serv. Comm'n*, 447 U.S. 557, 564 (1980)); *see also id.* at 30 (FTDA "must be interpreted and applied in a manner sensitive to First Amendment concerns"). This argument is meritless.

To begin with, petitioners do not actually argue that that the First Amendment bars application of an FTDA remedy to the facts of this case. Rather, petitioners invoke the canon of constitutional doubt to suggest that because barring use of their dilutive mark without actual economic harm could raise First Amendment concerns, the Court should read the statute to require proof of such harm. Petitioners are wrong.

The only speech-related question *this case* even arguably presents is whether application of the FTDA to the *commercial use* of a mark that causes *actual dilution – i.e.*, actual loss of distinguishing capacity – raises any First Amendment concerns. This Court has already answered that question squarely in the negative. In *San Francisco Arts*, 483 U.S. at 537, the Court held that the First Amendment neither pre-

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[11] Petitioners also argue that a statement in the legislative history of the Trademark Amendments Act of 1999 supports the imposition of an actual economic harm requirement. *See* Pet. Br. at 28 ("The [FTDA] provides for injunctive relief after the identical or similar mark has been in use and has caused actual dilution of a famous mark . . . .") (quoting H.R. Rep. No. 106-250, at 5 (1999)). Even if the history of a later-enacted statute were relevant, *but cf. Mackey v. Lanier Collection Agency & Serv., Inc.*, 486 U.S. 825, 839 (1988), the quotation only establishes that there must be "actual dilution," not that such dilution must include demonstrable economic harm.

vents Congress from prohibiting more than confusing uses of trademarks, nor restricts its power to "determine that unauthorized uses, even if not confusing, nevertheless may harm [the senior user] by lessening the distinctiveness and thus the commercial value of the mark." The courts below held that petitioner's commercial use[12] of their mark has caused a lessening of the distinctiveness of respondents' famous mark, from which economic harm is likely to follow. *San Francisco Arts* makes clear that the First Amendment imposes no bar to relief under those circumstances.[13]

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[12] Petitioners have never claimed that they used VICTOR'S LITTLE SECRET for noncommercial purposes – as part of a parody, satire, or political or social commentary, for example.

[13] Nor is there, in fact, a compelling argument that the FTDA raises serious First Amendment concerns on its face. The statute explicitly exempts from its scope all "noncommercial uses," 15 U.S.C. § 1125(c)(4)(B), and even then it applies *only* to those commercial uses that diminish distinctiveness of *famous marks*. It further exempts "comparative advertising," § 1125(c)(4)(A), and "news reporting and commentary," § 1125(c)(4)(C). It is thus very narrowly tailored to the government's interest in barring only particular commercial uses that cause diminished distinctiveness (and thus eventual economic harm), well exceeding the intermediate-scrutiny requirements applied to commercial speech regulations. *See Central Hudson*, 447 U.S. at 560-61 (no First Amendment violation where commercial speech restriction tailored to legitimate state interest). In fact, Congress crafted the exemption for noncommercial uses to ensure that courts apply the FTDA only in circumstances permissible under this Court's "commercial speech" precedents. *See* H.R. Rep. No. 104-374, at 4 ("The bill will not prohibit or threaten noncommercial expression, as that term has been defined by the courts"); 141 Cong. Rec. S19310 (daily ed. Dec. 29, 1995) (statement of Sen. Hatch) (FTDA will not "threaten noncommercial expression, such as parody, satire, editorial and other forms of expression that are not part of a commercial transaction"); *Mattel*, 296 F.3d at 905-06 (reviewing legislative history of noncommercial use exception). The courts have done exactly that. *See, e.g., id.* at 907 (use of "Barbie" trademark as parody/social commentary in a song falls within noncommercial use exception); *Charles Atlas, Ltd. v. DC Comics, Inc.*, 112 F. Supp. 2d 330, 338-39 (S.D.N.Y. 2000) (comic book story as protected parody).

Petitioners' First Amendment argument comes to this: the Court should read an economic harm requirement into the statute because fewer dilution claims would succeed, permitting more dilutive speech, and the First Amendment favors more speech rather than less. In fact, the FTDA is narrowly drawn to allow a remedy for a very limited category of harmful commercial speech, with safe harbors built in to limit the amount of affected commercial speech even more. The economic harm requirement petitioners suggest would be nothing more than an additional, nontextual, arbitrary limitation on the category. The logic for adding the requirement – *viz.*, the statute should cover as little speech as possible – would justify *any* limitation at all on the scope of the FTDA, and petitioners make no effort to explain why an economic harm requirement is the one way to do it. More dilutive commercial "speech" would be allowed if, for example, the Court allowed relief only against confusing marks; or only after the mark has been in commerce for 18 months; or only where the plaintiff has more than 100 employees; or only where the defendant sells products and not services. But such arbitrary, speech-protecting limitations on the dilution action have no statutory foundation. Neither does an economic harm requirement.

2. The Absence of an Actual Economic Harm Standard Does Not Render the Statutory Scheme Unworkable

Petitioners also suggest that unless this Court limits the application of the FTDA to cases in which the plaintiff can prove present economic harm to its famous mark, the statutory scheme will remain vague and unworkable, inviting "the mischief of subjective jurisprudence." Pet. Br. 31. This concern is entirely unfounded.

As the government points out, *see* U.S. Br. 21, the Lanham Act explicitly requires the PTO to make judgments, in the registration context, about the likelihood of future dilution, with no reference whatsoever to present economic

injury. *See* 15 U.S.C. § 1052(f) (authorizing the PTO to refuse or cancel the registration of a mark "which when used would cause dilution"). Congress contemplated at least that the PTO would assess evidence relating to dilution even before any actual use of the mark, and thus before economic injury could occur. As Congress evidently expected, the PTO undertakes this analysis by reviewing evidence and applying factors drawn from the Restatement and cases applying state dilution statutes. U.S. Br. 21. Nobody contends that such PTO proceedings are standardless or unworkable.

Nor have petitioners demonstrated that courts to date have been unable to apply dilution standards or similar principles coherently. As discussed below, to determine whether a junior use causes dilution under the FTDA, courts have examined a range of factors, including the strength, fame, and distinctiveness of the senior mark, the similarity between the marks, the nature of the junior use, and so on. These factors are no more or less complicated than the factors considered by courts in determining whether or not plaintiffs have shown a likelihood of confusion in actions alleging trademark infringement. *See Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961). For decades, courts have successfully administered the likelihood of confusion test and the state dilution statutes, neither of which require economic injury. There is no basis to suggest that the FTDA's dilution standard has proved or will prove any less workable, and no reason to graft onto the statute an actual economic harm requirement that is absent from its text.

3. Petitioners' Arguments about the Breadth and Duration of Rights Under the FTDA Are Meritless.

Finally, petitioners raise several nebulous concerns about the breadth and duration of the rights under the FTDA. They variously suggest that the FTDA "vastly expands" the rights of trademark owners, Pet. Br. 18, that it conflicts with the "limited Times" requirement of the Copyright Clause, U.S.

Constitution., article I, section 8, clause 8, Pet. Br. 19-20; and that it creates the prospect of trademark "rights in gross." *Id.* at 20, 45. In essence, petitioners argue that the FTDA creates rights that are horizontally overbroad (by protecting too many trademark rights) and vertically overbroad (by protecting those rights for too long). Petitioners are wrong on both counts. But even if their policy objections were correct, they would not provide any support for petitioners' position.

Petitioners themselves do not even attempt to explain how their complaints, even if true, would compel an economic harm requirement, as opposed to any other arbitrary limitation on the scope of the FTDA. They simply level vague policy objections against the scope of the FTDA as if the very existence of such complaints justifies or suuports the conclusion that the statute requires proof of economic harm. But the fact that petitioners argue that Congress *could* have drafted a more limited statute hardly establishes that it actually did so, and certainly gives this Court no basis for imposing whatever limiting feature they may suggest.

Petitioners repeatedly suggest that the FTDA creates rights broader than those available under copyrights and patents, without providing the temporal limits required by the Copyright Clause. This argument is fundamentally ill-conceived. As petitioners must acknowledge, a trademark is neither a patent nor a copyright. Trademark law flows from the Commerce Clause, and is not subject to the limits of the Copyright Clause, which literally does not apply to trademarks. To be sure, the FTDA did expand trademark rights; its very purpose was to add protection that the infringement action did not provide. But this expansion served an important policy that this Court, Congress, state legislatures, and influential commentators have all endorsed.

Moreover, the FTDA's expanded protection is by no means unbounded. Significantly, it applies only to the narrow category of those marks that are both famous and distinctive, as opposed to the millions of copyrights and hundreds of thousands of patents subject to their respective bodies of law. Furthermore, the use of a similar mark is actionable only if it is a "commercial use in commerce," and occurs after the senior mark became famous, and does not fall within the statutory safe harbor. Petitioners' suggestion that the FTDA locks up all rights in a mark is thus simply incorrect.[14] Similarly, rights under the FTDA are not "unlimited as to time." Pet. Br. at 20. Rights protected by the FTDA endure no longer than any other trademark right protected by the Lanham Act (including the infringement action petitioners applaud[15]): only so long as the trademark owner uses the mark in commerce. In one respect, FTDA rights are even more fragile, for they endure only as long as a mark remains famous.

III. THE RECORD EVIDENCE AMPLY SUPPORTS THE FINDING OF PRESENT DILUTION.

A plaintiff under the FTDA need not establish actual economic harm as a "precondition" for injunctive relief. Rather, the owner of a famous mark need only show that a defendant's use of its junior mark causes a present "lessening" of the famous mark's "capacity to distinguish goods and

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[14] Petitioners' claim that the FTDA creates right "in gross" simply misapprehends the meaning of the phrase. The traditional prohibition against rights in gross simply requires a trademark to be appurtenant to a going concern; that is, an trademark owner must use the mark only in connection with a business. Schechter, *supra*, at 822. It is not a free standing claim to property in the mark, as copyright would be. The FTDA obviously does not alter the traditional rule that mark holder may only enforce rights in connection with a going concern.

[15] Indeed, petitioners' argument concerning the temporal reach of the FTDA would apply with equal force to the infringement remedy under the Lanham Act. Thus petitioners are essentially asking this Court to rewrite or revoke the Lanham Act. This is a classic argument that proves too much.

services" – that is, its distinctiveness and strength. Thus, any junior use that lessens the distinctiveness of a famous mark causes present dilution and may be enjoined. Having considered a range of relevant factors, the court below properly found that the use of VICTOR'S LITTLE SECRET caused precisely such a lessening of the distinctiveness of VICTORIA'S SECRET by tarnishing and blurring it. Not only is proof of economic harm legally unnecessary, on this record it would have been superfluous. The judgment should be affirmed in all respects.

The court of appeals held that consumers would associate the highly distinctive VICTORIA'S SECRET mark with "sex toys and lewd coffee mugs" and the like – products Mr. Moseley himself described as "extremely offensive to the general public," JA 49 – thus "tarnishing" the mark by the tawdry association. Pet. App. 27a. It also held consumers exposed to both VICTORIA'S SECRET and VICTOR'S LITTLE SECRET would associate the national chain with "a single, unauthorized establishment," thereby "blurring" the distinctiveness of a mark that previously called to mind only respondents' national chain of stores. *Id.*

Although the last paragraph of the court's opinion stating its bottom-line dilution conclusion is less explicit than its earlier discussion, the body of the opinion makes clear that the court considered other factors relevant to the dilution inquiry – indeed, the very factors the Solicitor General says courts *should* consider in determining the existence of dilution. U.S. Br. 21 (suggesting that courts should consider "factors such as whether the junior mark is 'essentially the same' as the famous mark, the 'renown' of the famous mark, and 'whether target customers are likely to associate two different products with the mark, even if they are not confused as to the different origins of these products.") (quoting *Toro Co. v. ToroHead, Inc.*, 61 U.S.P.Q. 2d (BNA 1164, 1183 (TTAB 2001)). Thus, when the court found the marks to be

"similar," it did not find only that they were remotely similar, or just similar enough to create some association. It found that the marks are "highly similar," "semantically almost identical," and "graphically similar as well." Pet. App. 26a. Though mere linguistic similarity alone may not warrant an inference of dilution, an increasing degree of similarity creates increasingly strong support for the inference.

The court also considered the relative renown of the mark, and the intensity of its distinctiveness. U.S. Br 21. These factors are also relevant to the dilution inquiry. As the court below put it, the degree of a mark's distinctiveness "has a considerable bearing on the question whether a junior mark will have a diluting effect." Pet. App. 12a n.2 (quoting *Nabisco*, 191 F.3d at 217). Because it stands out in the marketplace and invokes exclusive associations, a truly unique and famous mark is more susceptible to dilution than a mark in broader use. *See* Restatement § 25 cmt. f ("A very distinctive mark is thus more likely to suffer dilution of distinctiveness than is a less distinctive mark."). For example, though McDONALD'S may be a famous mark for fast food, it is not inherently distinctive and is already used in many different trademark and service mark contexts, from garages to barber shops to opticians. As a result, an additional use in an unrelated area will scarcely lessen its capacity to distinguish. The relative degree of fame also matters: when a mark is truly famous, it is all but certain that persons who encounter the junior mark will already be aware of the senior, famous mark. *See* 2 Gilson, § 5.12[1][f][v][A], at 5-259 ("[T]he more well-known a mark, the more likely a junior mark is to blur that mark's capacity to distinguish goods and services because more consumers will be familiar with the senior mark.").

The court observed that VICTORIA'S SECRET is a particularly famous, unique, and highly distinctive mark, one that is "arbitrary and fanciful," Pet. App. 12a-13a, 26a, there-

fore highly distinctive, and thus "deserving of a high degree of trademark protection." Pet. App. 26a. Though petitioners' concession that Victoria's Secret's mark was famous obviated the need for extensive analysis or findings on this point, respondents showed the fame and uniqueness of that mark to be unassailable under the "fame" factors set forth in 15 U.S.C. § 1125(c)(1). The undisputed facts showed that over the past 20 years, Victoria's Secret has invested hundreds of millions of dollars in advertising and promoting its mark throughout the United States, and that it has become one of the ten most famous apparel brands in the United States. Pet. App. 30a. Petitioners introduced no evidence of "use of same or similar marks by third parties." 15 U.S.C. § 1125(c)(1)(G). This record established that VICTORIA'S SECRET is an exceptionally strong, distinctive and famous mark, and that it faces no significant third party use.[16] As a result, the court could be sure that the Kentucky residents who visited Victor's Little Secret or encountered its advertising were already familiar with Victoria's Secret, and had already formed strong associations with its mark.

The record shows that the parties operate in the same geographic area, and that both advertise on radio and in newspapers. *See* Pet. App. 4a; JA 58. Such evidence establishes that petitioners' mark necessarily reached respondents' customers. *See* Restatement § 25; *Nabisco*, 191 F.3d at 221; U.S. Br. 21. The evidence also made clear that petitioners use their mark to sell lingerie and other goods that are similar, if not of like quality, to Victoria's Secret's products. Pet. App. 4a. The substantial proximity of the products makes it more reasonable to infer that consumers, even if not confused as to the origin of the respective goods, will associate

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[16] As noted above, *see supra* at 6, the Moseleys identified only 14 similar marks nationwide, and Victoria's Secret established that registrations for those marks had been denied or cancelled. Pet. App. 32a.

the marks. *Cf.* 4 McCarthy 24:92 ("[I]f the ordinary prospective purchaser, upon encountering the junior user's mark . . . is, because of the context, not likely even to think of the famous mark, then dilution by blurring cannot occur."). Finally, the record showed that the Moseleys knew of VICTORIA'S SECRET when they chose their mark, and that their customers and friends actually made a connection between their mark and VICTORIA'S SECRET. JA 78-79.

In sum, the dilution finding rested on numerous factors generally accepted as probative of dilution, including the widespread consumer familiarity with the VICTORIA'S SECRET mark, the intensity of that mark's association with a particular product, and the tawdry nature of the new association created by use of petitioners' mark. The court below held that those contextual factors, illuminating the *extent* and *quality* of the association created by the marks' semantic similarity, established "a classic instance of dilution" by both tarnishing and blurring the distinctiveness of the VICTORIA'S SECRET mark among those familiar with both marks. Pet. App. 27a. The FTDA requires no more.

IV. THE SOLICITOR GENERAL'S SEPARATE CHALLENGES TO THE JUDGMENT BELOW ARE NOT PROPERLY PRESENTED HERE, AND ARE WITHOUT MERIT IN ANY EVENT.

On the sole question petitioners actually present – whether there must be "objective proof of actual injury to the economic value of the famous mark" – the Solicitor General explicitly and unequivocally agrees with respondents, and with the judgment below. However, the Solicitor General nominally sides with petitioners, for he believes the judgment below is subject to question on quite different grounds. The Solicitor General's challenges to the opinion below rest on arguments that petitioner has not raised. To resolve these issues, this Court would have to make conclusive legal judgments on issues not briefed by the parties, not consid-

ered by the courts in this case, and not developed by other courts during the FTDA's short existence. The Solicitor General's arguments, presented here for the first time, are unpersuasive. This Court should not consider them.

A. The Court Found That Dilution Had Occurred.

The Solicitor General's most implausible suggestion is that remand is in order because it "is unclear whether the court of appeals required proof that some dilution had already occurred as a predicate for relief, or whether it premised its finding of a violation on a likelihood of future dilution." U.S. Br. 26. The opinion of the court of appeals reflects no such ambiguity. At the outset, the court of appeals posed the question "whether [petitioners'] mark *dilutes* that of Victoria's Secret." Pet. App. 13a (emphasis added). The court then framed its analysis by asking "which factors will be taken into account in determining *if dilution of a mark has occurred*." *Id.* 15a (emphasis added). The court later set forth and considered a list of factors "used to determine if dilution *has, in fact, occurred*." *Id.* 25a (emphasis added). There is simply no ambiguity in the court's conclusion that the FTDA requires a finding of present dilution.

B. The Court Found Dilution On The Basis Of More Than Just Semantic Similarity Sufficient To Create A Mental Association

The Solicitor General next asserts that the court of appeals' dilution holding was "based merely on a determination that the 'Victor's Little Secret' is sufficiently similar to the 'Victoria's Secret' mark to cause consumers to mentally associate the two marks." U.S. Br. 27. The Solicitor General argues that this supposed aspect of the holding should be reversed, because "evidence that consumers mentally associate two marks does not automatically lead to an inference of dilution under the FTDA." *Id.* For three reasons, this argument provides no basis for upsetting the judgment.

1. Petitioners did not raise or brief this argument for reversal. Here and in the Sixth Circuit, they have argued only that the judgment below was flawed because the court did not require proof of economic harm. Beyond that asserted omission, petitioners have suggested no deficiency in the court's assessment of the various factors that led to the finding of dilution here.

2. As demonstrated by the review of the record in Part III, *supra*, the Solicitor General's characterization of the Sixth Circuit's opinion is mistaken. The court below relied on substantial evidence relating to the various *other* factors that courts have deemed relevant to the dilution inquiry. In fact, the court made clear that in evaluating an FTDA claim, courts "must weigh" various considerations, ranging "from the inherent qualities of the marks themselves, to the behavior of the corporate entities in introducing a mark into commerce, to the highly practical and subjective considerations of the effect of the marks on the actual consumers who will consider them." Pet. App. 26a. Contrary to the premise of the Solicitor General's argument for reversal, the court decidedly did *not* determine that VICTOR'S LITTLE SECRET causes dilution of the VICTORIA'S SECRET mark merely because the linguistic similarity of the marks causes an acontextual mental association. In particular, the tarnishment holding reflects a conclusion that the association created under the circumstances is a particularly lewd and injurious one. The court's dilution holding, in other words, is plainly based on the court's appreciation of significant individual circumstances surrounding the two marks – not an "automatic[]" inference based on review of the words alone. U.S. Br. 27.

3. The Solicitor General's argument for reversal would require this Court to accept a legal proposition that is open to serious question. The Solicitor General's argument that similarity sufficient to create mental association does not

suffice to establish dilution, while not presented by the court's holding below, nevertheless is arguably incorrect.

The Solicitor General's discussion of the sufficiency of mental association appears to display a basic misunderstanding of the nature of dilution. For instance, his contention that "[a]s long as consumers view the two marks as distinct and associate" one mark "exclusively" with its product and the other mark "exclusively" with its product, "there is no basis for a finding of dilution," U.S. Br. 19, introduces an element of confusion analysis that is fundamentally inconsistent with the accepted understanding of dilution. The basic rationale of dilution is that the senior mark holder suffers injury *even if* consumers understand that two marks represent distinct products. *See* 4 McCarthy § 24:70 (explaining that dilution occurs even when consumers "perceive distinct sources and affiliation" because "the ability of the senior user's mark to serve as a unique identifier . . . is weakened because the relevant public now also associates that designation with a new and different source"). Thus, if a purveyor of pornography featuring milkmaids used the mark "Little Dairy Queen," consumers would understand that it had nothing to do with the famous fast-food chain, and that two separate companies were selling separate products. Nevertheless, the junior use would lessen the capacity of the "Dairy Queen" mark to distinguish goods and services, for where that mark originally called to mind only the food chain, it would thereafter create a second, negative association as well. In short, the bedrock principle of dilution is that the famous mark owner suffers injury whenever a junior mark creates an association with its famous and distinctive mark, regardless whether consumers are confused. The Solicitor General's argument for reversal ignores that principle.

C. The Court Should Not Remand Simply So The Parties Can Conduct Consumer Surveys

The previous section set forth the sufficiency of the record basis for the conclusion that VICTOR'S LITTLE SECRET lessens the capacity of VICTORIA'S SECRET to distinguish goods and services. The Solicitor General's misunderstanding of the evidentiary basis for that conclusion leads him to the view that certain additional evidence would be necessary to support the finding of dilution. Thus, the Solicitor General suggests that a consumer survey might be necessary to establish dilution in this case. U.S. Br. 22-24. Given the Solicitor General's explicit exclusion of PTO proceedings from his discussion of the importance of consumer surveys, the interest of the United Stat.. .. the form and methods of proof in private dilution cases is less than clear. In any event, there is no basis for reaching beyond the question whether proof of economic harm is required and adding a consumer survey mandate to the statute.

First, there is no basis whatsoever for the suggestion that a consumer survey would be necessary to sustain the judgment below. Though a consumer survey might have been helpful evidence if the record reflected nothing more than similarity sufficient to cause mental association, the record is replete with evidence supporting many of the most important factors courts use to evaluate the existence of dilution. Even the Solicitor General concedes that "a consumer survey is not a necessary element of proof in all [dilution] cases," for "Congress did not direct that evidence supporting a dilution claim must take a particular form." U.S. Br. 24. To the contrary, the "relevant question is whether the use of a junior mark lessens the capacity of the famous mark to identify and distinguish goods and services, and a party is free to introduce any evidence that is relevant on that issue." *Id.* As already discussed, respondents introduced a evidence more than sufficient to support the conclusion that petitioners'

mark causes dilution. Petitioners themselves have not complained in this court that the record lacks a consumer survey; what they object to is what they consider a lack of proven economic harm. Petitioners' objection is misplaced as a matter of law; the Solicitor General's wholly separate objection is, on this record, misplaced as a matter of fact.

Second, the need for surveys is open to serious question. Courts have noted that survey evidence is expensive, time-consuming, and subject to manipulation. *See Nabisco*, 191 F.3d at 224; *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 468 (7th Cir. 2000). In other contexts where the impact of words and symbols is at issue, the law does not require the use of surveys. For example, if a newspaper falsely writes that school principal John Jones physically abused his pupils, principal Jones would not need to introduce survey evidence in a libel action to show that readers identified him personally as the abuser, or that the article injured his reputation. In such a case, the trier of fact can draw the necessary inferences from the evidence before it, without the assistance of surveys. In the same way, a court sitting in equity is well equipped to review a range of evidence to determine whether dilution has occurred.

This is not to say that survey evidence never has a place in actions under the FTDA. Where the totality of the evidence does not fully support the inference that consumers associate a famous mark with an allegedly diluting mark, the plaintiff can seek to buttress its case with evidence showing such an association. Alternatively, if circumstantial factors point strongly towards an inference of dilution, the junior user might invoke survey evidence in an attempt to show that consumers are not drawing any association between the junior and senior marks. The point is that the role of a consumer survey will vary from case to case.

Third, because of the necessarily individualized role of survey evidence, this Court ought not announce a generalized rule about the propriety of consumer surveys in federal dilution cases, especially this early in the life of the FTDA. It is enough at this juncture for the Court to focus on the one clear problem that has arisen and divided the courts: the mistaken view of some that dilution claimants must prove actual economic injury. Beyond that, the role of consumer surveys – or any particular element or piece of evidence – should be left to the lower courts for further development in individual cases. Just as identification of the range of substantive factors relevant to the dilution inquiry is best left to the process of judicial development and application, which has only just begun, *see Nabisco*, 191 F.3d at 227, so too should the courts be allowed to continue to work out what kinds of evidence are the most probative under given circumstances. Consumer surveys sometimes will be important, sometimes crucial, and sometimes – as here – not necessary at all. If the role of consumer surveys becomes divisive enough to warrant this Court attention, it should grant certiorari in a case where other evidence of dilution is weak, and one of the parties actually contests the lack of a survey. Now is not that time, and this is not that case.

CONCLUSION

For the foregoing reasons, the judgment should be affirmed.

Respectfully submitted,

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In The

Supreme Court of the United States

VICTOR MOSELEY and CATHY MOSELEY,
d/b/a VICTOR'S LITTLE SECRET,

Petitioners,

v.

V SECRET CATALOGUE, INC.,
VICTORIA'S SECRET STORES, INC., and
VICTORIA'S SECRET DIRECT, LLC,

Respondents.

On Writ Of Certiorari
To The United States Court Of Appeals
For The Sixth Circuit

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REPLY TO RESPONDENTS' STATEMENT OF THE CASE

Straightaway, the Brief For Respondents ("R.Br.") yields two observations – [1] Respondents have *disavowed* the likelihood of dilution standard; and [2] they still hope they can win if they paint Petitioners in a bad enough light.

The Question Presented is whether Respondents should be required to prove "actual injury to the economic value of the famous mark as a precondition for relief" under the FTDA. In opposing the Petition, Respondents cited cases advocating a likelihood of dilution standard. At the merits stage, however, they now concede that "the FTDA requires proof of present dilution" (R.Br. 32).

Given that startling concession, perhaps it is not surprising that Respondents resort (over a dozen times) to portraying Petitioners in progressively pejorative phrases culminating in a remarkable reference to child abuse (R.Br. 48). They also write that Petitioners' lingerie is sold "alongside" adult films and sex toys (R.Br. 12); that is flat wrong (JA 44-45). This is an attempt to inject subjective value judgments as a substitute for the proof the statutory language ("causes dilution") requires, in hopes the Court will look past Petitioners' legal arguments. It worked in both courts below under the guise of addressing dilution by tarnishment, but the Court has a history of not being swayed from the merits of a case by references to the nature of a party's business, even if entirely devoted to "outrageous" sexually-oriented material. *See Hustler Magazine v. Falwell*, 485 U.S. 46, 55-56 (1988).

SUMMARY OF REPLY ARGUMENT

Because Respondents now concede that the FTDA requires proof of actual dilution, the Court can focus directly on the essential question embraced by the Question Presented: the proper meaning to be accorded

the statutory term "dilution," and the proof of causation of dilution required by § 43(c).

Respondents urge a tortured construction of the FTDA that destroys the plain meaning of "causes," premised on the notion that "distinctiveness" is the "essential quality" of a mark (R.Br. 14). From that premise, Respondents posit that dilution results automatically from use of any mark similar to a famous mark which evokes an association, because the distinctiveness of the mark is "inherently" reduced. This ignores that federal law defines a trademark in terms of its capacity to "*identify and* distinguish." The proffered test for dilution is a "think" and "link" test (R.Br. 9) that presumes consumer association from mere phonetic similarity which, circularly, "causes dilution" by that association. The Court is asked to indulge in the assumption that any junior use of a famous mark inevitably creates present dilution, an assumption refuted by common experience (*e.g.*, DELTA faucets, DELTA airlines). Respondents posit a strict liability standard devoid of objective proof that dilution has occurred, without injury-in-fact to the economic value of a famous mark and in derogation of the "causes dilution" term of the FTDA.

Respondents' construction depends on statutory sleight-of-hand, based on imprecise or incomplete quotations of the FTDA. For example, they argue that dilution is conduct that reduces a famous mark's distinctiveness, but omit "identify and" from the statutory definition of dilution (R.Br. 39). They argue no proof of injury is required because dilution harm is "nascent" and therefore not presently (if ever) susceptible of proof. Thus, they urge an injunction to immediately issue to "prevent the harm before it occurs" (R.Br. 27), dispensing with the usual injury-in-fact required in a federal court. Respondents' arguments render the "causes dilution" term of § 43(c) a nullity – and are constitutionally infirm.

Respondents' and amici's analogies to the availability of injunctive relief generally, or under the Civil Rights Act or strict liability statutes such as the Patent and Copyright Acts, are inapposite. Similarly, TRIPs does not mandate the construction (likelihood of dilution) advocated by amici.

Respondents' and amici's arguments are little more than revisionist history of what Congress might have legislated but did not. They urge the Court to ignore the plain language "causes dilution" in favor of a wistful view of a supposed "policy" underlying the FTDA. But no policy can be exalted over the words actually used by Congress; the legislative history of the FTDA (alternately silent, contrary, and/or inconsistent) presents no explication on the matters at issue.

Finally, the argument that the courts below used contextual factors to "find" dilution is wrong. Contextual factors were analyzed only for Respondents' confusion-based claims (§§ 32, 43(a)), and resolved *against* Respondents.

ARGUMENT

I. RESPONDENTS HAVE CHANGED THEIR ARGUMENT AND NOW DISAVOW THE "LIKELIHOOD OF DILUTION" STANDARD ADOPTED BY THE COURT BELOW; RESPONDENTS CONCEDE THE FTDA REQUIRES PROOF OF PRESENT DILUTION.

The petition for certiorari was principally premised on the split between "actual, consummated dilution" in the Fourth Circuit's *Ringling Bros.* opinion, versus "likelihood of dilution" in the Second Circuit's *Nabisco* decision, endorsed by the Sixth Circuit below. Respondents opposed the petition by advocating the likelihood of dilution standard (Opp.Br. 28-30). Here they switch their argument and concede the FTDA "requires proof of present

'dilution'" (R.Br. 32).[1] Respondents thus agree with Petitioners and the Fourth Circuit's requirement of "actual, consummated dilution," and thereby discredit amici AIPLA, Best Western, and Intellectual Property Law Professors, who urge a likelihood of dilution standard.

II. THE FTDA'S "CAUSES DILUTION" LIABILITY STANDARD REQUIRES OBJECTIVE PROOF OF ACTUAL INJURY TO THE ECONOMIC VALUE OF THE FAMOUS MARK, NOT A PRESUMPTION OF INJURY FLOWING FROM MERE SEMANTIC SIMILARITY TO THE FAMOUS MARK.

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Respondents self-define dilution to erect an argument that they need not show objective proof of present dilution. Their definition, "a lessening of the capacity of the mark to be distinctive" (R.Br. 11), twice departs from dilution as defined by Congress: *the* (not *a*) lessening, and *identify and* distinguish (not just *distinguish*). Converting "capacity to identify and distinguish" in 15 U.S.C. § 1127 to "distinctiveness," they use their misquotes to define dilution as merely "a lessening of distinctiveness" (R.Br. 23). They say that since "lessening" is a gerund and "capacity" means "power" *(id.)*,[2] dilution harm is therefore a "gradual process unfolding over time" (R.Br. 25).

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[1] Amicus INTA likewise switched its position here. *Compare* INTA Br. 17-18 (likelihood of dilution is "irrelevant" and "extraneous") *with* Opp.Br. 9a (INTA officer advocating "likelihood of dilution" standard *as recently as February 14, 2002*).

[2] Respondents' reading overlooks nuances between "capability" and "capacity." *See* BRYAN A. GARNER, MODERN LEGAL USAGE 100 (1987) (*capacity* as "legal competency or qualification" vs. *capability* as "power or ability in general"). Congress used "capacity" in the FTDA in its legal, not general sense. Moreover, that the FTDA employs "*the* lessening of the capacity" shows that Congress viewed dilution as measurable.

Respondents and amici cite repeatedly to the 1927 Schechter law review article as if it were the veritable "bible" revealing chapter and verse of dilution law that had lain dormant like the Dead Sea Scrolls until discovered by Congress in 1995. In reality, Prof. Schechter did not use the term "dilution" and surprisingly little of his article even discusses the concept today called dilution ("perhaps as few as three passages").[3] Prof. Schechter's primary argument was that trademarks should be enforceable whether or not the parties directly competed and regardless whether the source or origin of goods and services is known to consumers (SCHECHTER at 816, 821), concerns resolved by trademark law long before the FTDA, a fact surely known to Congress in 1995. In any event, Congress did not adopt any part of Prof. Schechter's theory (not even his "whittling away" theory) as the definition of dilution, instead defining dilution as "the lessening of the capacity of a famous mark to identify and distinguish goods or services" 15 U.S.C. § 1127. Indeed, the oft-cited Prof. Schechter is not mentioned in the House Report.

To be sure, Prof. Schechter stated that "the preservation of the uniqueness or individuality of the trademark is of paramount importance to its owner" and that the "real injury" in all such cases "is the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use on non-competing goods,"[4] a mantra worshiped in Respondents'

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[3] Jonathan E. Moskin, *Dilution or Delusion: The Rational Limits of Trademark Protection*, 83 TMR 122, 126 (1993).

[4] SCHECHTER at 822, 825. Prof. Schechter advocated protecting the selling power of truly "unique" and "singular" trademarks, but recognized his view was contrary to the Court's holding in *American Steel Found. v. Robertson*, 269 U.S. 372 (1926), that the same mark may be used on different classes of goods. *Id.* Thus, even Schechter knew his proposal was antithetical to the common law of trademarks.

and amici's briefs. But Prof. Schechter did not explain how this "real injury" is to be proven, nor did he propose a remedy for this then-unnamed phenomenon.

The single passage containing the "whittling away" metaphor births Respondents' and amici's arguments here. Seizing and aggrandizing that phrase (notable by its *absence* from the text of the FTDA *and* the House Report), Respondents argue that "Congress, in accordance with Schechter's insight, *presumed* that dilution would ultimately result in economic harm" (R.Br. 27, italics in original). They contend that if a junior mark is similar enough to conjure an association with a famous mark, then dilution occurs even if it cannot be measured (R.Br. 25). They say it is "reasonable to infer that consumers, even if not confused . . . will associate the marks" (R.Br. 42-43), and that is sufficient to find dilution. They urge that "dilution" must mean "reduction in distinctiveness," and "any junior use that lessens the distinctiveness of a famous mark causes present dilution and may be enjoined" (R.Br. 40). Respondents thus argue that dilution (self-defined as loss of distinctiveness) is proven if there is loss of distinctiveness. A more circular basis to establish liability is hard to imagine.

Further, merely because Congress provided examples of *identical* uses of famous marks that would be "actionable" (R.Br. 26) does not mean that Congress intended to dispense with proof of injury and causation. In legal context "actionable" means only "furnishing the legal ground for a lawsuit or other legal action" (BLACK'S LAW DICTIONARY 32 (7th ed. 1999)), not *proof* of dilution. And referring to *identical* uses of famous marks gives no guidance here, where there are both semantic and gender differences (*e.g.*, Victor/Victoria) between the accused and famous marks.

Moreover, it is not true that every identical use of a famous mark triggers an association in consumers that will inevitably cause dilution. We know that consumers have kept DELTA Airlines separate from DELTA faucets, and the FORD Modeling Agency has existed for years without destroying the famous mark of FORD Motor Company. We also know that Congress was given the hypothetical example of APPLE computers and APPLE dinnerware.[5] Given these examples, Congress logically required causation in § 43(c) ("causes dilution") as the predicate for an injunction against dilution.

Respondents overlook the fact that the Second Circuit (and the Sixth Circuit below in following it) applied so-called contextual factors (previously used only to establish infringement under a likelihood of confusion standard) only *after* wrongly deciding that the FTDA allows an "inference of likely harm" in lieu of actual proof of dilution. Pet.App. 23a, 25a. Since Respondents now concede that "proof of present dilution" is required, it is improper to rely on contextual factors to establish dilution. To advocate contextual factors as "proof" fulfilling the "causes dilution" requirement of § 43(c) merely because factors are used to provide proof of likelihood of confusion (where *probability* of confusion is assessed) is inappropriate because proof of *actual* present dilution (not a *likelihood* of dilution) is required by the FTDA.

The Solicitor General (US Br. 22-24) and some amici (Intel Br. 27; Ringling Bros. Br. 21) agree that survey evidence is competent to establish that consumer perception has been affected by the accused mark. This would be proof of the "present dilution" Respondents admit is required. Although they too concede this (R.Br. 48), Respondents brush survey evidence aside as "too expensive"

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[5] *See* Statement of Jonathan E. Moskin at Hearing on H.R. 1295 Before the Subcomm. on Courts and Intell. Prop. of the Comm. on the Judiciary, 104th Cong., 1st Sess. (1995), *reprinted in* 9 GILSON, TRADEMARK PROTECTION & PRACTICE 43-270, at 279.

and instead urge proof of dilution injury by metaphor, a technique not even used by Prof. Schechter. Quoting the FTDA legislative history (which in turn quoted a decades-old case construing New York state dilution law),[6] Respondents label dilution as an "infection" that "if allowed to spread" will "inevitably destroy the advertising value" of their mark (R.Br. 26). Respondents also describe dilution as one of a hundred bee stings (R.Br. 27). Amici refer to dilution injury as the "first cut" of 1000 that leads to death (Intel Br. 5) or as a form of "pollution" – a single drop of iodine in a gallon of water (INTA Br. 17). Reliance on metaphor highlights Respondents' and amici's goal to avoid their statutory obligation to prove causation.

Petitioners submit that the "causes dilution" term of § 43(c) requires a dilution plaintiff to show that the "infection" *has* caused sickness, the "bee" *has* lodged its stinger, the "cut" *has* drawn blood, or a mosquito carrying the dilution virus *has* bitten. Metaphorically, it is not enough to show there are bees or infectious mosquitos buzzing around. Continuing the infection metaphor, a court might just as rightly conclude that the infection is purely somatic.[7]

The bee sting metaphor actually works in favor of Petitioners. Respondents note they had been (metaphorically) exposed to bees 14 times before VICTOR'S LITTLE SECRET went into business (R.Br. 6). But this exposure has yet to destroy, diminish or have a measurable impact on the "capacity of the famous mark to

[6] The folly of relying on the *Mortellito* decision (applying state law) as explaining federal FTDA law was discussed in Petitioners' Brief on the Merits at 48-50.

[7] Jacoby, *The Psychological Foundations of Trademark Law*, 91 TMR 1013, 1049 (2001) (cited by amicus INTA at 8, n.14) suggests that it would not be impossible to present empirical evidence of dilution. Respondents simply failed to do so. *See also* INTA Br. 13 ("Dilution, indeed, is now an empirically sustainable fact"). Given that fact, Respondents may fairly be held to their proof.

identify and distinguish [Respondents'] goods or services." The absence of any evidence on this point shows that, as a matter of law, Petitioners have not "caused" dilution.

Whether VICTOR'S LITTLE SECRET causes a lessening of the capacity of the VICTORIA'S SECRET® mark to identify and distinguish its goods or services is the central issue on which Respondents bore the burden of proof. To establish FTDA "dilution" requires proof that (1) a defendant has made use of a junior mark sufficiently similar to the famous mark to evoke an "instinctive mental association" of the two by a relevant universe of consumers that (2) has caused (3) an actual lessening of the senior mark's selling power, and hence, actual economic harm to the famous mark's economic value (by lessening its former selling power as an advertising agent for its goods or services). *Ringling Bros.*, 170 F.3d at 458, 461. Other than by metaphor, Respondents did not attempt to sustain their burden of proof, instead arguing that "proof of dilution does not encompass economic injury" (R.Br. 10). But they never say what proof of dilution *does* encompass.

Respondents do identify two harms remediable by the FTDA: (1) lessening of the distinctiveness and thus *the commercial value* of a mark (R.Br. 21) and (2) reduction in *advertising value* (R.Br. 22). There can be no dispute that reduction in the commercial or advertising value of the mark are forms of actual injury to the economic value of the mark. This is precisely the type of proof Petitioners contend is required to sustain an FTDA claim, and precisely that which Respondents failed to establish.

Respondents' argument is premised on a false distinction between "economic harm" (stated over 100 times in briefs)[8] and "the lessening of the capacity" of a famous

[8] In their briefs, Respondents reference "economic harm" 40 times, amici 75 times. In this same context, the Solicitor General has misperceived Petitioners' argument for "actual dilution" as requiring proof of "economic harm *to the owner* of a famous mark" (US Br. 8, 25). While

mark to identify and distinguish goods or services. This argues semantics and avoids the real issue: whether the FTDA requires proof of causation of injury-in-fact. By § 43(c)'s plain language ("causes dilution"), it does.

B. Respondents Produced No Evidence Of Dilution By Tarnishment, Relying Instead On Pejorative Portrayals Of Petitioners And Their Business.

Respondents cast Petitioners and their inventory in progressively negative terms, beginning at page 1 (adult products), continuing at page 7 (sex toys), page 9 (lewd), page 12 (porn shop), page 31 (nationwide chain of pornography stores) and page 46 (purveyor of pornography). At page 48, Respondents even evoke images of child abuse while urging a *per se* (as in libel) standard. It is unfortunate Respondents choose to engage in such *ad hominem*. We can only conclude this is designed to foment bias and negative associations toward Petitioners, as a substitute for the proof the FTDA text ("causes dilution") requires. But even if Petitioners were bad people (which they are not), that is irrelevant to the legal issues here. In another context, Justice Frankfurter reminds us that "[i]t is a fair summary of history to say that the safeguards of liberty have frequently been forged in controversies involving not very nice people." *United States v. Rabinowitz*, 339 U.S. 56, 69 (1950) (dissenting).

Both the district court and the Sixth Circuit took Respondents' bait and concluded this was a case of dilution by tarnishment. The district court merely concluded that Petitioner's inventory "while not unsavory to all" diluted the Victoria's Secret mark. Pet.App. 41a-42a. The Sixth

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Petitioners agree that the types of harm listed by the Solicitor General (lost sales, decline in mark's market value) would be proof of actual dilution, Petitioners do not go so far as to suggest that those types of harm must be shown. See *supra* at 7-8 (survey evidence), 9 (evidence of reduction in commercial or advertising value).

Circuit's tarnishment analysis was limited to its characterization of Petitioner's inventory as "sex toys and lewd coffee mugs." Pet. App. 27a. There can be no doubt both courts' conclusions are wholly subjective and flow solely from pejorative portrayals, not from any evidence of actual dilution injury. There is no reason to treat FTDA dilution by tarnishment any way other than to apply the plain terms of the statute: proof of actual injury to the capacity of the famous mark to identify and distinguish must be adduced by the plaintiff. Respondents submitted no such proof in the courts below, so the dilution by tarnishment ruling must be reversed as a matter of law.

C. Likewise, Respondents Did Not Adduce any Evidence Of Dilution By Blurring; They Showed Only Semantic Similarity Of The Marks.

Respondents contend that the Sixth Circuit "found" dilution (R.Br. 13). The Sixth Circuit's analysis of dilution injury of any sort was very limited. Noting semantic similarity between the marks, the Sixth Circuit stated its inquiry as "whether a consumer would link a store called 'Victor's Little Secret' that sold lingerie with the more famous 'Victoria's Secret,'" and concluded: "We have little doubt that the average lingerie consumer would make just such an association. . . . This, then, is a classic case of dilution by . . . blurring (linking the chain with a single, unauthorized establishment)." Pet.App. 27a.

Other than an assumption (without evidence) of what consumers might think, and a reference to the semantic similarity of the parties' marks, the court did not explain how Respondents' famous mark would lose its capacity to identify and distinguish goods or services, or how the mark was otherwise harmed. Respondents submitted no such proof in the courts below, so the dilution by blurring ruling must be reversed as a matter of law.

III. THE DILUTION INJURY PROFFERED BY RESPONDENTS DOES NOT AND CANNOT SATISFY IN A FEDERAL COURT THE FTDA'S "CAUSES DILUTION" STANDARD.

Respondents claim that the plain text of the FTDA shows that dilution (as they define it) describes "both an end harm – the loss of selling power – and the process of lessening distinctiveness that causes it" (R.Br. 33). Such "double duty" as Respondents call it (*id.*), apparently self-proves dilution sufficient to obtain an injunction even in the *absence* of harm.[9] If this be the true nature of FTDA dilution injury, one wonders how, or if, an owner of a famous mark ever suffers an injury-in-fact. Injury-in-fact, of course, has long been stated by the Court as the standing threshold to gain access to a federal court under Article III of the Constitution. In *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 560 (1992), the Court made clear that standing (injury-in-fact) requires proof of "an invasion of a legally protected interest which is (a) concrete and particularized [citations omitted] and (b) actual or imminent, not conjectural or hypothetical [citations omitted]." *See also Valley Forge Christian College v. Americans United for Separation of Church & State*, 454 U.S. 464, 472 (1982) (Article III's case or controversy requirement[10] of an "actual injury redressable by the court" "tends to assure that legal questions presented to a court will be resolved, not in the rarefied atmosphere of a

[9] *See* R.Br. 25 ("even if the financial effects are not yet demonstrable"); R.Br. 27 ("impossible . . . to prove in court the causal connection"); R.Br. 29 ("it might take years for such loss to materialize").

[10] State courts adjudicating the "likelihood of dilution" standard of state dilution statutes are not constrained by Article III's case or controversy clause, nor is the TTAB (an Article I tribunal) when adjudicating opposition matters under 15 U.S.C. § 1063 of the TAA. And, the Solicitor General's concerns over the PTO "having to speculate" regarding "economic consequences" (US Br. 26) are addressed and resolved by both the TAA and its legislative history, which expressly authorize the PTO to look prospectively to deny *registration* of an applied-for mark if a famous mark owner "would be damaged . . . as a result of dilution . . . " by the applied-for mark.

debating society, but in a concrete context conducive to a realistic appreciation of the consequences of judicial action"). Moreover, "no[ ] congressional enactment . . . can lower the threshold requirements of standing under Art. III." *Valley Forge*, 454 U.S. at 487 n.24. Manifestly, the nature of FTDA dilution injury proffered by Respondents (presented here for the first time in the history of this litigation)[11] has serious injury-in-fact deficiencies.

The FTDA does not speak of incipient or future or nascent harm, much less likelihood of harm. The FTDA speaks only of conduct that "causes dilution" as defined by the statute. By dispensing with all requirement of proof of actual injury to the economic value of the mark, Respondents' (and the Sixth Circuit's) construction of the FTDA would permit an ethereal (non)injury to trigger a nationwide injunction.

In disavowing likelihood of dilution, Respondents have been forced to reveal here the nature of injury they say is protected by the FTDA. Their proffered construction of the FTDA raises constitutional doubt; Petitioners' does not. If one construction of a statute raises "serious constitutional problems," and another does not, the Court should choose the construction which avoids such problems. *INS v. St. Cyr*, 533 U.S. 289, 300 (2001), citing *Crowell v. Benson*, 285 U.S. 22, 62 (1932); *Ashwander v. TVA*, 297 U.S. 288, 341 (1936) (Brandeis, J., concurring). Both Petitioners' and Respondents' constructions are based on the plain meaning of the statute, so the Court may conclude that the wording is unambiguous. Petitioners' construction of the FTDA, presenting no constitutional infirmity, must be selected.

[11] If Petitioners had known earlier that Respondents' claimed harm was so remote and conjectural, Petitioners would have been in a position to raise the injury-in-fact deficiency. *Cf.* FED. R. CIV. P. 12(h)(3). Instead, Petitioners moved for summary judgment and put Respondents to their proof on the FTDA claim. That Respondents cross-moved for summary judgment on the FTDA claim shows they had put in all the proof they thought they needed to prevail.

The FTDA establishes a new category of trademark rights at the intersection of property and tort law, unlimited in time. The Amateur Sports Act (ASA), 36 U.S.C. § 380, provides the safeguards of clearly stated congressional policy limited to specific "Olympic" trademarks. By contrast, the FTDA is enacted broadly to include "famous and distinctive" marks in general, with no guidance other than the plain words of the statute. The role of the courts is to effectuate what Congress enacted, exercising care when Congress has entered into a new area fraught with constitutional implications, *not* to give effect to unstated "policy" over plain meaning. Petitioners' Brief on the Merits (at 18-20) explained how the dilution property right is not limited by Art I, § 8 of the Constitution, and noted that the Court has expressed concerns over patent-like property rights. In the FTDA, Congress has created an intangible right under its Commerce Clause power, unconstrained by the "limited times" restriction of Art. I § 8, making the injury-in-fact inquiry all the more critical.

IV. THE AVAILABILITY OF INJUNCTIVE RELIEF, GENERALLY OR UNDER THE CIVIL RIGHTS ACT OR THE PATENT AND COPYRIGHT ACTS, CANNOT BE EXTRAPOLATED TO THE FTDA, WHICH REQUIRES PROOF OF CAUSATION.

Respondents and several amici argue that because Congress authorized an injunction as the "primary remedy" for dilution, that evinces a "policy" that Congress did not intend to require proof of actual harm (R.Br. 29). This argument turns the law on its head by giving primacy to unstated policy over the words Congress actually used. Congress did not instruct courts to issue an injunction if the accused mark "might cause dilution" or was "likely to cause dilution" or "would tend to cause dilution" or even "would inevitably (if allowed to spread) cause dilution." As noted in a case cited by amicus Intel, courts cannot substitute their, or commentators', judgment of supposed Congressional "policy" or "intent" for the words Congress

used. *See Sinclair Refining Co. v. Atkinson*, 370 U.S. 195 (1962).[12] In sum, the availability of an injunction *as a remedy* does not and cannot dispense with the necessity for a dilution plaintiff to prove the harm that the FTDA requires as a predicate to trigger the remedy – namely, that the accused mark "causes dilution."

The phrase "subject to the principles of equity" in § 43(c) does not aid Respondents. That phrase is mere authorizing language necessary to be included in § 43(c) because the dilution concept flows from the court's *law*, not *equity*, jurisdiction.[13] Moreover, that phrase guides courts to issue an injunction only in conformance with the well-settled equitable principle that before an injunction may issue, the harm must be palpable and provable. *See Weinberger v. Romero-Barcelo*, 456 U.S. 305 (1982), cited by amicus Intel (Br. 11), where the Court refused to issue an injunction against the Navy, despite its discharge of ordnance into waters near Puerto Rico without a permit required by the Federal Water Pollution Control Act. Invoking the same "principles of equity" expressed in § 43(c), the Court observed that an injunction "is not a remedy which issues as of course." *Id.* at 311 (citations omitted).

To support their injunction argument, Respondents and amici merely quote equity homilies selected from inapposite antitrust cases. Dilution concepts are readily

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[12] That *Sinclair* is cited to support Respondents is puzzling, in view of the actual *holding* of that case. In *Sinclair*, the Court refused to interpret the term "labor dispute" in a way to ignore the anti-injunction requirement in the Norris-LaGuardia Act. The Court declined to give effect to alleged Congressional policy "upon considerations of what many commentators think would be the more desirable industrial and labor policy in view of their understanding as to the prevailing circumstances of contemporary labor-management relations *than upon what a correct judicial interpretation of the language of the Act as it was written by Congress*." 370 U.S. at 201-02 (emphasis added).

[13] Dilution is purely a creature of statute: "There is no comparable cause of action for trademark dilution at common law." RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 25, cmt. a, at 266.

distinguishable from the antitrust cases cited to support the injunction argument. Moreover, those cases do not dispense with the long-stated requirement that to obtain an injunction a plaintiff must present a "clear and immediate" injury, "not a mere possibility of injury in the remote future." *Pierce v. Society of Sisters*, 268 U.S. 510, 536 (1925). By contrast, here Respondents characterize their injury from dilution as "financial effects . . . not yet measurable" (R.Br. 25), or "impossible in many cases to prove in court" (R.Br. 27), or "it might take years for such loss to materialize" (R.Br. 29). It is patent that Respondents and their amici[14] do not articulate an injury-in-fact, and that is why they resort to "proof" of dilution by metaphor.

The citation of "other statutory contexts" authorizing injunctive relief by amicus Best Western in 42 U.S.C. § 1983 of the civil rights statute (Br. 9), and by amicus Intel (Br. 10-11, n.11) in 17 U.S.C. § 501(a) of the Copyright Act or in 35 U.S.C. § 271 of the Patent Act are equally unavailing. The copyright and patent statutes are strict liability statutes, *See Jurgens v. CBK, Ltd.*, 80 F.3d 1566, 1570 n.2 (Fed. Cir. 1996) (patent infringement "is a strict liability offense"); *Educational Testing Serv. v. Simon*, 95 F. Supp. 2d 1081, 1087 (C.D. Cal. 1999) ("copyright infringement . . . is a strict liability tort"), so there is no requirement to establish a causal connection, just a requirement to establish the fact of infringement. The civil rights statute, of course, was enacted to provide relief from acts which abridge or impair civil rights guaranteed by the Constitution. By contrast, the FTDA is neither a statute to prevent abridgement of Constitutional rights, nor a strict liability statute authorizing injunctive relief upon the mere showing of an infringement. Instead,

[14] Amici perceive the injury from dilution as similarly amorphous. *See* Best Western Br. 11 ("By the time the plaintiff can marshal such proof (if it can do so at all)"); Intellectual Property Owners Association Br. 5 ("damage to it [a trademark] could be intangible"); AIPLA Br. 11 ("prevent dilution *before* it turns into actual harm") (italics in original).

the FTDA authorizes an injunction only upon a showing that the accused mark "causes dilution," not incipient or conjectural harm.

There is no evidence that Congress meant to unleash the power of the federal courts by authorizing the issuance of injunctions based on speculation and surmise, instead of proof of causation that the accused mark "causes dilution." Congress' deliberate use of the word "causes" to establish the substantive injury addressed by § 43(c) cannot be ignored or abrogated merely because Congress chose to remedy FTDA dilution, once established, by injunction.

V. THE COURTS BELOW DID NOT "FIND" THAT PETITIONERS' MARK "CAUSES DILUTION" OF RESPONDENTS' FAMOUS MARK; ANY CONTEXTUAL FACTORS CONSIDERED WERE APPLIED ONLY IN A TRADEMARK CONFUSION CONTEXT, WHICH WAS RESOLVED AGAINST RESPONDENTS.

Respondents mischaracterize the Sixth Circuit's opinion in two significant respects: first as having "explicitly found dilution," and second, as having done so "on the basis of *numerous* contextual factors" (R.Br. 13, italics in original). Actually, the Sixth Circuit considered only two of the ten *Nabisco* factors (distinctiveness and similarity of the marks). Because "distinctiveness" is itself an express requirement of the FTDA (a qualifying mark must be both "famous" and "distinctive"), the Sixth Circuit's consideration of "distinctiveness" of the VICTORIA'S SECRET® mark was superfluous. Consequently, the Sixth Circuit's affirmance of the district court's dilution injunction was based *solely* on a "semantic[]" similarity of the marks; and, as to tarnishment, based additionally on pejorative portrayals of Petitioners and their goods by Respondents.

Respondents argue that the Sixth Circuit "found that dilution had occurred," and that the Sixth Circuit stated "that the FTDA requires a finding of present dilution" (R.Br. 44). The Sixth Circuit did not find dilution as a fact; rather it accepted the Second Circuit's *Nabisco* reasoning: "[W]e read the statute to permit adjudication granting or

denying an injunction . . . *before the dilution has actually occurred*." 191 F.3d at 224-25 (emphasis added). The Sixth Circuit made no "findings" to reach its conclusion of dilution because, under the *Nabisco* test it purported to apply, it was not required to. Indeed, the likelihood of dilution concept that Respondents now disavow is replete in the Sixth Circuit's dilution analysis:

> While no consumer *is likely* to go to the Moseleys' store expecting to find Victoria's Secret's famed Miracle Bra, consumers who hear the name "Victor's Little Secret" *are likely* automatically to think of the famous store and link it to the Moseleys' adult-toy, gag gift, and lingerie shop. This, then, is a classic instance of dilution by tarnishing (associating the Victoria's Secret name with sex toys and lewd coffee mugs) and by blurring (linking the chain with a single, unauthorized establishment). Given this conclusion, it follows that Victoria's Secret *would* prevail in a dilution analysis, even without an exhaustive consideration of all ten of the *Nabisco* factors.

Pet.App. 27a (emphasis added). The Sixth Circuit's so-called finding of dilution was thus based solely upon an assumption of what consumers "automatically" might think, and the similarity of the parties' marks. But the Sixth Circuit did not analyze (nor did the district court) whether Respondents established the statutory basis of a dilution finding under the FTDA (*e.g.*, whether Petitioners' mark causes the lessening of the capacity of the VICTORIA'S SECRET® mark to distinguish Respondents' goods and services). The Sixth Circuit thus *inferred* injury from semantic similarity of the parties' marks, and concluded there was dilution on that basis alone.

Under the Sixth Circuit's inference-based reasoning, it is hard to imagine any finding of tarnishment that would not also constitute dilution by blurring. The Sixth Circuit's approach renders superfluous the separate concept of tarnishment, and reveals how the mischief of subjective jurisprudence can creep into such cases. If Petitioners sold

no sexually-oriented products, one questions whether the courts below would have found dilution by blurring. This demonstrates the wisdom of Congress in requiring proof of dilution *and* of causation under the FTDA.

Respondents' new dilution argument thus boils down to the "think" and "link" test contained in the Sixth Circuit's meager analysis: if an accused mark is sufficiently similar to a famous mark to create an association with the famous mark, dilution harm inevitably flows from that and is presumed to occur. A clearer example of a strict liability standard for dilution would be hard to imagine.

VI. TRIPs DOES NOT MANDATE A "LIKELIHOOD OF INJURY" STANDARD FOR FTDA DILUTION.

Though Respondents do not discuss the issue, amicus AIPLA contends that the FTDA "was enacted to bring United States trademark law into compliance with international treaties that do not require an 'actual harm' standard for trademark dilution." AIPLA Br. 11. AIPLA suggests that the FTDA was enacted to be "consistent" with Trade Related Aspects of Intellectual Property Rights ("TRIPs"), as well as the Paris Convention. AIPLA cites to TRIPs as support for the likelihood of dilution standard disavowed by Respondents. However, amicus Intellectual Property Law Professors ("IPLP") warns that whether Article 16(3) of TRIPs mandates protection against dilution is "a matter of some dispute" (IPLP Br. 13 n.5). And, the House Report only briefly mentions treaty obligations, and so provides no informed insight.

Article 16(3) purports to extend the reach of the Paris Convention Article 6*bis*, which governs enforcement of rights in "well-known" marks (a term not in the FTDA or Lanham Act) as to goods and services which are not similar to a well-known registered trademark, "provided that use . . . would indicate a *connection* between those goods or services and the owner of the registered trademark. . . . " AIPLA's brief ignores this aspect of Article 16(3) and argues as if the *only* requirement is that

the interests of the owner "are likely to be damaged" by the use. In this case, the district court found *against* Respondents on their claims that Petitioners' mark was "*likely* to cause confusion, or to cause mistake, or to deceive as to the . . . *connection* . . . " of the user with another person, or as to "the origin, sponsorship, or approval" of the goods or services by another person. The "likely to be damaged" language of Article 16(3), especially as so taken out of context, cannot write the plain language requiring causation and proof of injury out of the FTDA. AIPLA's citation to TRIPs thus lends additional force to Petitioners' concern that passing references in "legislative history" are an unreliable basis for statutory interpretation.

CONCLUSION

For the reasons stated in this Reply, and in Petitioners' Brief on the Merits, the judgment of the Sixth Circuit must be reversed and Respondents' FTDA claim must be dismissed as a matter of law.

Respectfully submitted,

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VICTOR MOSELEY,
CATHY MOSELEY, dba VICTOR'S LITTLE SECRET,
PETITIONERS

v.

V SECRET CATALOGUE, INC., ET AL.

ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

BRIEF FOR THE UNITED STATES AS AMICUS CURIAE SUPPORTING PETITIONERS IN PART

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QUESTIONS PRESENTED

The United States will address the following questions, which are included within the question presented by petitioners:

1. Whether a plaintiff seeking an injunction under the Federal Trademark Dilution Act of 1995, 15 U.S.C. 1125(c)(1), must establish present dilution or whether a showing of a likelihood of future dilution is sufficient.

2. Whether a showing that consumers mentally associate the defendant's mark with the plaintiff's mark because of their similarity is sufficient to establish actionable dilution.

3. Whether a showing that the defendant's mark has caused economic harm to the plaintiff is necessary to establish actionable dilution.

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In the Supreme Court of the United States

No. 01-1015

VICTOR MOSELEY,
CATHY MOSELEY, dba VICTOR'S LITTLE SECRET,
PETITIONERS

v.

V SECRET CATALOGUE, INC., ET AL.

ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

BRIEF FOR THE UNITED STATES
AS AMICUS CURIAE SUPPORTING PETITIONERS
IN PART

INTEREST OF THE UNITED STATES

This case concerns the showing that must be made to establish dilution of a famous trademark under the Federal Trademark Dilution Act of 1995 (FTDA), 15 U.S.C. 1125. The United States has a substantial interest in the resolution of that question. The Trademark Trial and Appeal Board (TTAB) of the United States Patent and Trademark Office (PTO) has a statutory responsibility to rule on allegations that a proposed trademark would dilute a famous mark. 15 U.S.C. 1052(f), 1063, 1064; see 15 U.S.C. 1092. Congress anticipated that, through the exercise of that statutory responsibility, the TTAB "would give guidance to liti-

gants and the Trademark Bar, through precedent, with respect to such issues as * * * what constitutes dilution." H.R. Rep. No. 250, 106th Cong., 1st Sess. 6 (1999). Thus far, the TTAB has issued one precedential decision on the standards for proving dilution. *Toro Co.* v. *ToroHead Inc.*, 61 U.S.P.Q.2d (BNA) 1164 (TTAB 2001).

STATEMENT

1. The Federal Trademark Dilution Act of 1995 provides that the "owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark." 15 U.S.C. 1125(c)(1). The Act defines "dilution" as the "lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of—(1) competition between the owner of the famous mark and other parties, or (2) likelihood of confusion, mistake, or deception." 15 U.S.C. 1127. The Act does not treat as actionable dilution the fair use of a mark in comparative advertising, a noncommercial use of the mark, or news reporting and commentary. 15 U.S.C. 1125(c)(4).

The owner of a famous mark who establishes actionable dilution is entitled "only to injunctive relief * * * unless the person against whom the injunction is sought willfully intended to trade on the owner's reputation or to cause dilution of the famous mark." 15 U.S.C. 1125(c)(2). If willful intent is proven, the owner of the famous mark may also obtain an award of defendant's profits, any damages sustained, and a court order that

the diluting mark be delivered up and destroyed. 15 U.S.C. 1125(c)(2), 1117(a), 1118.

2. The owner of a trademark used in commerce may apply to the PTO to register the mark on PTO's "principal register." 15 U.S.C. 1051(a)(1). A person who has an "intention" to use a mark in commerce may also apply to register a mark. 15 U.S.C. 1051(b)(1). Ownership of a mark registered with PTO serves as a complete bar to state law dilution claims. 15 U.S.C. 1125(c)(3).

In general, a person may oppose registration of a mark or seek to have it canceled. Following enactment of the FTDA, however, the TTAB held that a trademark could not be opposed or canceled based on alleged dilution. *Babson Bros.* v. *Surge Power Corp.*, 39 U.S.P.Q. 2d (BNA) 1953 (TTAB 1996). In response to that decision, Congress enacted the Trademark Amendments Act of 1999, permitting dilution claims to be raised in opposition and cancellation proceedings. Under the 1999 Act, a person may file an opposition with PTO when he "believes that he would be damaged by the registration of a mark upon the principal register, including as a result of dilution," 15 U.S.C. 1063(a). Similarly, a person may petition PTO to cancel the registration of a mark when he believes "that he is or will be damaged, including as a result of dilution." 15 U.S.C. 1064. Under the 1999 Act, "[a] mark which when used would cause dilution * * * may be refused registration" by PTO and "[a] registration for a mark which when used would cause dilution * * * may be canceled" by PTO. 15 U.S.C. 1052(f).

3. Respondent V Secret Catalogue, Inc. is the owner of the "Victoria's Secret" registered mark and licenses Victoria's Secret Catalogue, LLC and Victoria's Secret Stores, Inc. (also respondents) to use that mark. Pet.

App. 3a. Respondents sell "a complete line of women's lingerie, as well as other clothing and accessories." *Id.* at 3a-4a. "According to a recent survey, Victoria's Secret is rated as the ninth most famous brand in the apparel industry." *Id.* at 4a.

In February 1998, petitioners Victor and Cathy Moseley opened a store called "Victor's Secret" in a shopping mall in Elizabethtown, Kentucky. Pet. App. 4a. Petitioners' store sells men's and women's lingerie, adult videos, sex toys, and adult novelties. *Ibid.* After petitioners received a letter from respondents demanding that they cease and desist from using the name "Victor's Secret," petitioners changed the name of their store to "Victor's Little Secret." *Ibid.*

Respondents then filed suit in federal district court, alleging, *inter alia*, that petitioners' use of the name "Victor's Little Secret" dilutes respondents' famous "Victoria's Secret" mark in violation of the FTDA. Pet. App. 4a-5a.[1] On cross-motions for summary judgment, the district court found in respondents' favor on their dilution claim. *Id.* at 37a-40a. It found that petitioners' mark is "sufficiently similar" to respondents' famous mark to cause dilution. *Id.* at 39a. It further determined that petitioners' mark dilutes respondents' famous mark "because of its tarnishing effect upon the Victoria's Secret mark." *Ibid.* The court reasoned that "[w]hile [petitioners'] inventory may not be unsavory to all, its more risque quality widely differentiates it from that of [respondents]." *Ibid.* The court therefore enjoined petitioners "from using the mark 'Victor's Little

[1] It was undisputed by the parties that the "Victoria's Secret" mark is "famous." See 15 U.S.C. 1125(c)(1) (listing some factors that may be considered in "determining whether a mark is distinctive and famous").

Secret' on the basis that it causes dilution of the distinctive quality of the Victoria's Secret mark." *Ibid.*

The court of appeals affirmed. Pet. App. 1a-27a. The court noted that "a split has developed among the circuits with respect to one crucial element [of the federal dilution cause of action]: whether a plaintiff must prove actual, present injury to its mark to state a federal dilution claim." *Id.* at 15a. The court held that such proof is not required and that a finding of dilution may be based on "an inference of likely harm to the senior mark." *Id.* at 25a. The court reasoned that "requiring proof of actual economic harm will make bringing a successful claim under the FTDA unreasonably difficult." *Ibid.* Relying on the Second Circuit's decision in *Nabisco, Inc.* v. *PF Brands, Inc.*, 191 F.3d 208 (1999), the court adopted a list of ten factors "to determine [whether] dilution has, in fact, occurred." *Ibid.* Those factors include the famous mark's distinctiveness, the similarity of the marks, proximity of the products, shared consumers, sophistication of consumers, actual confusion, and the referential quality of the junior use. *Ibid.*

The court of appeals determined that respondents "would prevail in a dilution analysis, even without an exhaustive consideration of all ten of the *Nabisco* factors." Pet. App. 27a. Specifically, the court found that "the Victoria's Secret mark is quite distinctive," and that it is therefore "deserving of a high degree of trademark protection." *Id.* at 26a. The court further determined that "the two marks in question are highly similar" because they are "semantically almost identical" and "graphically similar as well." *Ibid.* Based on that similarity, the court found that the average lingerie consumer would associate "a store called 'Victor's Little Secret' that sold women's lingerie with the more

famous 'Victoria's Secret.'" *Id.* at 26a-27a. The court reasoned that "[w]hile no consumer is likely to go to [petitioners'] store expecting to find Victoria's Secret's famed Miracle Bra, consumers who hear the name 'Victor's Little Secret' are likely automatically to think of the more famous store and link it to [petitioners'] adult-toy, gag gift, and lingerie shop." *Ibid.* Based on those considerations, the court concluded that this case "is a classic instance of dilution by tarnishing (associating the Victoria's Secret name with sex toys and lewd coffee mugs) and by blurring (linking the chain with a single, unauthorized establishment)." *Ibid.*

SUMMARY OF ARGUMENT

A. A plaintiff seeking an injunction under the FTDA must show that some dilution of his famous mark has already occurred. The text of the Act specifies that the owner of a famous mark may obtain an injunction against another person's use of a mark if such use "*causes* dilution of the distinctive quality of the mark." 15 U.S.C. 1125(c)(1) (emphasis added). The use of the present tense "causes" rather than the conditional "would cause" or the future tense "will cause" signals that the dilution sought to be remedied must have already begun. The background of the FTDA confirms that interpretation. State law dilution statutes enacted before the FTDA permit relief based on a showing of "a likelihood of dilution." Congress's rejection of a "likelihood of dilution" standard in favor of a "causes dilution" standard shows that Congress intended to require a showing that dilution is already occurring as a predicate for relief.

Moreover, several years after the FTDA was enacted, Congress specifically authorized the PTO to refuse to register a trademark and to cancel a previously registered trademark when the use of the trademark "would cause dilution." 15 U.S.C. 1052(f). At the same time, Congress made no change in the "causes dilution" standard applicable in judicial proceedings. Congress thus sought to channel claims of purely prospective dilution to the PTO, and to limit judicial relief to cases where some dilution has already occurred.

B. A showing that two marks are so similar that consumers mentally associate the marks is important evidence in a dilution case. But such evidence does not automatically establish that dilution is occurring. The statutory definition of dilution is the "lessening of the capacity of a famous mark to identify and distinguish goods or services," 15 U.S.C. 1127, and marks that remind consumers of a famous mark do not always have that effect. For example, Utah's "Greatest Snow on Earth" mark may remind consumers of Ringling Brothers' "Greatest Show on Earth" mark. But the one word difference between the marks may trigger quite different product and service associations. As long as consumers view the two marks as distinct and associate Utah's mark exclusively with skiing in Utah and Ringling Brothers' mark exclusively with the circus, there is no basis for a finding of dilution.

Dilution plaintiffs are not without means to establish dilution when it exists. In deciding whether a mark would cause dilution, the PTO considers factors such as whether the junior mark is essentially the same as the famous mark, the renown of the famous mark, and whether target customers are likely to associate two different products with the mark. Those inquiries are also relevant in a judicial proceeding.

Moreover, in a judicial proceeding, a well-designed consumer survey may have particular relevance. In

this case, for example, a survey could have asked consumers what products they associate with "Victoria's Secret." If consumers who were not aware of "Victor's Little Secret" identified lingerie, while consumers who were aware of "Victor's Little Secret" identified lingerie and sex toys, an inference of dilution might be warranted. Consumers could also have been asked what attributes do you associate with "Victoria's Secret." If consumers aware of "Victor's Little Secret" responded "tasteless," while persons not aware of "Victor's Little Secret" responded "tasteful," an inference of dilution might be drawn.

C. The FTDA does not require a dilution plaintiff to establish that the defendant's use of a mark has caused consumers to purchase less of a particular product or has caused the market value of the famous mark to decline. Congress anticipated that the lessening of the capacity of a mark to distinguish goods and services would result in such economic harm, particularly over time. But the text of the FTDA only requires proof that a junior use causes a lessening in the capacity of the famous mark to distinguish goods and services; it does not require a finding that such a lessening results in economic harm to the owner of the famous mark.

D. Although the court of appeals' opinion is ambiguous, there is a substantial possibility that it found only a likelihood of future dilution, rather than the existence of any present dilution. For that reason, its decision should be vacated. Moreover, the court premised its finding of a violation merely on a determination that the "Victor's Little Secret" mark is sufficiently similar to the "Victoria's Secret" mark to cause consumers to mentally associate the two marks. Because evidence that consumers mentally associate two marks does not automatically lead to an inference of dilution under the

FTDA, that aspect of the court of appeals' decision should be reversed. On the other hand, the court of appeals correctly held that a dilution plaintiff is not required to show that he has suffered economic harm, and that aspect of its decision should be affirmed.

ARGUMENT

A PLAINTIFF SEEKING AN INJUNCTION UNDER THE FTDA MUST SHOW THAT THE USE OF DEFENDANT'S MARK HAS ALREADY CAUSED SOME DILUTION OF HIS FAMOUS MARK. WHILE EVIDENCE THAT CONSUMERS MENTALLY ASSOCIATE THE TWO MARKS DOES NOT AUTOMATICALLY SATISFY THAT STANDARD, PROOF OF ECONOMIC HARM IS NOT REQUIRED

The court of appeals in this case held that a dilution plaintiff does not have to introduce proof of "actual economic harm," but may rely instead on evidence that establishes an "inference of likely harm." Pet. App. 25a. Applying that analysis, the court upheld the district court's finding of dilution, reasoning that "Victor's Little Secret" and "Victoria' Secret" are highly similar and that consumers who hear the name "Victor's Little Secret" are therefore likely automatically to think of the more famous store and link it to petitioners' store. *Id.* at 27a.

Petitioners contend that the court of appeals' analysis conflicts with the Fourth Circuit's interpretation of the FTDA in *Ringling Bros.-Barnum & Bailey Combined Shows, Inc.* v. *Utah Div. of Travel Dev.*, 170 F.3d 449, cert. denied, 528 U.S. 923 (1999), and they urge adoption of the Fourth Circuit's interpretation. In *Ringling Brothers*, the Fourth Circuit held that (1) a dilution plaintiff must prove that some dilution has already occurred, and may not rely on proof of a likeli-

hood of future dilution; (2) proof that consumers mentally associate the defendant's mark with the famous mark does not automatically establish actionable dilution; and (3) a dilution plaintiff must prove that the use of the defendant's mark has caused economic harm. 170 F.3d at 458, 460-461.

The Fourth Circuit's first two holdings correctly interpret the FTDA, and the court of appeals in this case erred to the extent it concluded otherwise. But the Fourth Circuit's holding that a dilution plaintiff must prove actual economic harm imposes a requirement not imposed by the FTDA.

A. The FTDA Is An Outgrowth Of State Dilution Laws, But Does Not Replicate Those Laws In Every Respect

A resolution of the questions presented in this case is informed by an understanding of the background of the FTDA. The following is a summary of that background.

1. Traditional trademark law prohibits the use of a mark that is likely to cause confusion about the source of a product. 15 U.S.C. 1114, 1125(a)(1)(A). That prohibition seeks to assure a potential customer that a product with a particular mark is made by the same producer as other similarly marked items that the customer liked or disliked in the past. *Qualitex Co.* v. *Jacobson Prods. Co.*, 514 U.S. 159, 163-164 (1995). That prohibition simultaneously seeks to assure a producer that it, and not an imitating competitor (whose products may be inferior), will obtain the financial rewards of making a desirable product. *Id.* at 164.

In 1927, Frank Schecter offered a different rationale for protecting trademarks. Shechter argued that "the value of the modern trademark lies in its selling power," that "this selling power depends" on the mark's "uniqueness and singularity," and that "such uniqueness or singularity is vitiated or impaired by its use upon either related or non-related goods." Frank I. Schecter, *The Rational Basis of Trademark Protection*, 40 Harv. L. Rev. 813, 831 (1927). Schecter offered examples of impairments that should be prohibited such as the use of "Kodak" on bathtubs and cakes, the use of "Mazda" on cameras and shoes, and the use of "Ritz-Carlton" on coffee. *Id.* at 830. The injury in such cases, Schecter argued, is "the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use upon non-competing goods." *Id.* at 825. In support of his new theory of trademark protection, Schecter relied on a German case that had referred to the impairment caused by the use of a unique mark on non-competing goods as dilution. *Id.* at 831-832.

In 1947, Massachusetts became the first State to offer protection against trademark dilution, specifying that "[l]ikelihood of injury to business reputation or of dilution of the distinctive quality of a trade name or trade-mark shall be a ground for injunctive relief * * * notwithstanding the absence of competition between the parties or of confusion as to the source of goods or services." Act of May 2, 1947, ch. 307, § 7A, 1947 Mass. Acts 300. In 1964, the Trademark Association adopted a Model Bill that is similar to the original Massachusetts statute. The Model Bill provides that "[l]ikelihood of injury to business reputation or of dilution of the distinctive quality of a mark registered under this Act, or a mark valid at common law, or a trade name valid at common law, shall be a ground for injunctive relief notwithstanding the absence of competition between the parties or the absence of confusion as to the source of goods or services." Model State Trademark Bill 12 (1964), *reprinted in* 3 J. Thomas McCarthy, *McCarthy*

on Trademarks and Unfair Competition § 22:8 (4th ed. 1998) (*McCarthy on Trademarks*). By 1994, approximately 25 States had adopted dilution statutes with similar language. Restatement (Third) of Unfair Competition § 25, at 275-276 (statutory note) (1995) (Restatement).

State statutes have been interpreted as offering protection to distinctive marks against at least two forms of dilution—blurring and tarnishing. 4 *McCarthy on Trademarks* §§ 24:68, 24:69. Blurring tracks Schecter's original conception of dilution. It occurs when a distinctive mark is associated with the goods of another producer, disturbing the conditioned mental association between the distinctive mark and the goods it has been used to identify. Restatement § 25, at 267. Tarnishing occurs when a distinctive mark is linked with goods that have inherently negative associations, such as pornography or illicit drugs, displacing positive feelings about the distinctive mark and replacing them with negative ones. *Ibid.*

2. Although the FTDA is an outgrowth of state dilution statutes, the text of the FTDA differs from the text of the typical state statutes in several respects. Of particular relevance here, although state statutes make "likelihood" of dilution a predicate for relief, the FTDA authorizes relief only when the use of a mark "causes dilution." 15 U.S.C. 1125(c)(1). Moreover, whereas the state statutes contain no definition of dilution, the FTDA defines dilution as the "lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of—(1) competition between the owner of the famous mark and other parties, or (2) likelihood of confusion, mistake, or deception." 15 U.S.C. 1127.

Like the state statutes, the FTDA does not refer directly to the concepts of blurring or tarnishing. But the House Report accompanying the FTDA states that the FTDA is intended "to protect famous trademarks from subsequent uses that blur the distinctiveness of the mark or tarnish or disparage it." H.R. Rep. No. 374, 104th Cong., 1st Sess. 2 (1995). The report further states that the concept of dilution "applies when the unauthorized use of a famous mark reduces the public's perception that the mark signifies something unique, singular, or particular," and it gives as examples of actionable dilution, "the use of DUPONT shoes, BUICK aspirin, and KODAK pianos." *Id.* at 3.

B. A Dilution Plaintiff Must Show That Some Dilution Has Already Occurred

The text of the FTDA, when read in light of its background, requires a dilution plaintiff to establish that some dilution has already occurred as a predicate for obtaining judicial relief. A showing that there is a likelihood of dilution in the future is insufficient by itself to entitle a dilution plaintiff to relief.

1. The text of the Act specifies that the owner of a famous mark may obtain an injunction "against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and *causes* dilution of the distinctive quality of the mark." 15 U.S.C. 1125(c)(1) (emphasis added). The use of the present tense "causes" rather than the conditional "would cause" or the future tense "will cause" signals that the dilution sought to be remedied must have already begun.

The use of the unmodified phrase "causes dilution," rather than the phrase "causes a likelihood of dilution," reinforces that conclusion. A "likelihood of dilution"

standard makes future harm the basis for the claim. A "causes dilution" standard, in contrast, makes present ongoing injury the basis for the claim. Congress's selection of a "causes dilution" standard rather than a "likelihood of dilution" standard is particularly significant because the state dilution statues that predated the FTDA expressly incorporate a likelihood of dilution standard. The logical inference is that Congress deliberately rejected the state model of authorizing relief based on the possibility of future harm alone, and required instead a showing that dilution has already begun.

The failure to adopt a likelihood of dilution standard also contrasts sharply with the "likelihood of confusion" standard that Congress adopted for its prohibition against false designation of origin and false description. 15 U.S.C. 1125(a)(1)(A) (making liable any person who uses any designation "which is likely to cause confusion"). The prohibition appears in the same Section of the United States Code—15 U.S.C. 1125—as the prohibition against dilution. Congress also used the phrase "likelihood of confusion" in the Section of the United States Code defining dilution, specifying that dilution could be proven, "regardless of the presence or absence of * * * likelihood of confusion." 15 U.S.C. 1127. The overwhelming implication is that Congress "intentionally and purposely" rejected a "likelihood of dilution" standard in favor of a "causes dilution" standard. See *Barnhart* v. *Sigmon Coal Co.*, 122 S. Ct. 941, 951 (2002).

The FTDA also provides that the conduct prohibited is the "use" of a mark that causes dilution, not merely "the threatened use" of a mark. 15 U.S.C. 1125(c)(1). That reference to "use" rather than "threatened use" also supports the conclusion that Congress did not provide a cause of action for prospective dilution alone.

2. Subsequent legislative developments confirm that interpretation of the FTDA. In 1999, several years after the FTDA was enacted, Congress specifically authorized the PTO to refuse to register a trademark and to cancel a previously registered trademark on dilution grounds. Under the 1999 Act, a person may file an opposition to a trademark when he "believes that he *would be* damaged by the registration of a mark upon the principal register, including as a result of dilution." 15 U.S.C. 1063 (emphasis added). Similarly, a person may petition PTO to cancel registration of a mark when he believes "that he is *or will be* damaged, including as a result of dilution." 15 U.S.C. 1064 (emphasis added). The use of the conditional "would" and the future tense "will" signal that a person may complain to PTO about the possibility of dilution before the dilution has occurred. Other provisions of the 1999 Act lead to the same conclusion. Under the Act, PTO may refuse registration of "[a] mark *which when used would cause dilution,*" and it may cancel "[a] registration for a mark *which when used would cause dilution.*" 15 U.S.C. 1052(f) (emphasis added). The "which when used" language not only makes clear that a person may complain about dilution before the dilution has occurred; it also makes clear that a person may complain about prospective dilution before the allegedly diluting mark has been used in commerce.

Although Congress amended the law to permit PTO to examine claims that the use of a mark "would cause" dilution in the future, it made no change in the "causes dilution" standard applicable in judicial proceedings. That contrast between the "would cause" dilution standard applicable in PTO proceedings, and the "causes dilution" standard applicable in judicial proceedings shows that Congress intended to channel claims of

prospective dilution to PTO, and to limit judicial relief to cases where some dilution has already occurred.

Indeed, the House Report to the 1999 Amendments makes precisely that distinction between judicial and PTO proceedings. It states that the FTDA "provides for injunctive relief *after the identical or similar mark has been in use and has caused actual dilution* of a famous mark but provides no means to oppose an application for a mark or to cancel a registered mark that will result in dilution of the holder's famous mark." H.R. Rep. No. 250, 106th Cong., 1st Sess. 5 (1999) (emphasis added). In contrast, the House Report explains, resolution of the issue of dilution in PTO opposition and cancellation proceedings "would provide certainty to competing trademark interests, *before the applicant has invested significant resources in its proposed mark, and before dilution-type damage has been suffered in the marketplace by the owner of the famous mark.*" *Id.* at 5-6 (emphasis added).

3. In *Nabisco, Inc.* v. *PF Brands, Inc.*, 191 F.3d 208 (1999), relied upon by the court of appeals in this case, Pet. App. 23a-24a, the Second Circuit rejected the requirement that a dilution plaintiff must prove that dilution has occurred as a predicate for relief on the ground that such an interpretation of the FTDA "would subject the senior user to uncompensable injury." 191 F.3d at 224. Under the FTDA, however, a dilution plaintiff is not required to show that there has been serious damage to the mark, much less that the value of the mark has been destroyed. A dilution plaintiff need only show that there has been some "lessening of the capacity of a famous mark to identify and distinguish goods or services." 15 U.S.C. 1127. Congress could have reasonably concluded that the owner of a famous mark could easily recover from such interference, and

that requiring such injury as a predicate to relief is preferable to putting the courts in the position of predicting the future without evidence that some dilution has already occurred.

The requirement that a dilution plaintiff establish that some dilution has already occurred also does not result in uncompensable injury in all cases. Congress authorized an award of monetary relief when there is proof of a willful violation. 15 U.S.C. 1117(a), 1125(c)(2). Significantly, the 1999 Amendments also permit the owner of a famous mark to seek relief from the PTO before suffering any dilution. 15 U.S.C. 1052(f), 1063, 1064.

The Second Circuit also concluded that requiring use of a mark in commerce before a dilution claim may be brought would have adverse consequences for a junior user who might want to seek a declaratory judgment before launching a new mark. *Nabisco*, 191 F.3d at 224. The court reasoned that "[i]f the statute is interpreted to mean that no adjudication can be made until the junior mark has been launched and has caused actual dilution," a junior user would be "obligated to spend the huge sums involved in a product launch without the ability to seek prior judicial assurance that [its] mark will not be enjoined." *Ibid.* But a junior user may make a limited introduction of a mark, and then seek a declaratory judgment based on the absence of dilution. Alternatively, the junior user and senior user may agree to have the issue resolved by the PTO before the junior mark has been launched.

In any event, the text of the FTDA, when construed in light of its background and subsequent legislative developments, makes clear that a dilution plaintiff must prove that some dilution has already occurred as a predicate for judicial relief. The Second Circuit's policy

considerations do not justify departing from that statutory requirement.

C. A Showing That Consumers Mentally Associate Two Marks Because Of Their Similarity Does Not Automatically Establish Dilution

1. The remaining questions concern what kind of evidence is sufficient to prove that dilution has already begun. The FTDA's statutory text, when read in light of its background, does not authorize relief in all cases where the junior mark and the famous mark are so similar that consumers mentally associate one mark with the other. The text of the Act does not prohibit the use of a mark that is "substantially similar" to a famous mark. It prohibits the use of a mark that "lessen[s] the capacity of the famous mark to identify and distinguish goods and services." 15 U.S.C. 1127. Moreover, marks that are substantially similar to a famous mark do not invariably lessen the capacity of the famous mark to identify and distinguish goods and services. Marks that have substantial similarities to a famous mark may also have substantial differences, and those differences may lead consumers to view the marks as two distinct marks that stand for two entirely different sets of goods and services. When that happens, the famous mark retains the same capacity to identify and distinguish goods and services as before, and there is no violation of the FTDA.

The same principle holds true even when a mark is so similar to a famous mark that consumers presented with the mark are reminded of the famous mark. Mental association of that kind can be significant evidence in a dilution case. But it does not automatically show that dilution has occurred.

For example, Utah's "Greatest Snow on Earth" mark may remind consumers of Ringling Brothers' "Greatest Show on Earth" mark. But the one word (indeed one letter) difference between the marks may provoke very different product and service associations. As long as consumers view the two marks as distinct and associate Utah's mark exclusively with skiing in Utah and Ringling Brothers' mark exclusively with the circus, there is no basis for a finding of dilution. So too, consumers presented with the "Pepsi-Cola" mark may be reminded of the "Coca-Cola" mark because Pepsi-Cola and Coca-Cola are soft drink competitors. But that does not inhibit the capacity of either mark to distinguish one brand of soft drink from the other. William G. Barber, *How to Do a Trademark Dilution Survey (or Perhaps How Not to Do One)*, 89 Trademark Rep. 616, 620 (1999). Courts applying state dilution statutes have similarly concluded that, while marks that parody or spoof a distinctive mark may remind consumers of that mark, they do not invariably blur or tarnish the original mark.[2] Thus, proof that consumers mentally associate two marks because of their

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[2] *Hormel Foods Corp.* v. *Jim Henson Prods., Inc.*, 73 F.3d 497, 500-501, 506-508 (2d Cir. 1996) (finding that use of a wild beast named "Spa'am" in a Muppet movie did not blur or tarnish the SPAM mark); *Jordache Entrs., Inc.* v. *Hogg Wyld, Ltd.*, 828 F.2d 1482, 1489-1490 (10th Cir. 1987) (finding that use of "Lardache" mark on jeans for larger women did not blur or tarnish the Jordache mark); *New York Stock Exchange, Inc.* v. *New York, New York Hotel, LLC*, 69 F. Supp. 2d. 479, 490-493 (S.D.N.Y. 1999) (finding that use of New York $lot Exchange as a mark for a Las Vegas casino did not blur or tarnish the New York Stock Exchange mark); *Tetley, Inc.* v. *Topps Chewing Gum, Inc.*, 556 F. Supp. 785, 787, 794 (E.D.N.Y. 1983) (finding that stickers that satire famous products with cards such as "Pupsi-Cola: The Soft Dunk for Dogs" did not blur or tarnish the original marks).

similarity does not invariably raise an inference of dilution.[3]

2. The examples of "actionable dilution" in the House Report—"the use of DUPONT shoes, BUICK aspirin, and KODAK pianos," H.R. Rep. No. 374, *supra*, at 3—do not suggest that mental association automatically establishes dilution. Those examples all involve exact replications of a famous mark. Dilution may be inferred in those cases not simply because consumers will associate the two marks; rather, dilution may be inferred because consumers will view the two marks as the *same mark* and associate *a new product* with that mark. For example, when the BUICK mark is used to identify aspirin, it is reasonable to infer that some number of consumers would associate the BUICK mark not only with cars, but with aspirin, lessening the capacity of the BUICK mark to serve as an exclusive identifier of cars.

A similar inference of dilution might be warranted when a junior mark is not exactly the same as the original, but is so similar that consumers would widely perceive them to be the same mark—for example the use of KODAC on pianos. But that is very different from holding that any similarity that causes consumers to associate two marks is sufficient in all cases to establish dilution.

3. The principle that dilution may not invariably be inferred from the similarity of marks or from evidence that consumers mentally associate the marks does not

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[3] One court has suggested that "an occasional replicating use might even enhance a senior mark's 'magnetism'—by drawing renewed attention to it as a mark of unshakable eminence worthy of emulation by an unthreatening non-competitor." *Ringling Bros.*, 170 F.3d at 460.

leave a dilution plaintiff without the means to prove actionable dilution. In deciding whether a mark would cause dilution, the PTO considers factors such as whether the junior mark is "essentially the same" as the famous mark, the "renown" of the famous mark, and "whether target customers are likely to associate two different products with the mark, even if they are not confused as to the different origins of these products." *Toro Co.* v. *ToroHead Inc.*, 61 U.S.P.Q. 2d (BNA) 1164, 1183 (TTAB 2001). Those inquiries are also relevant in a judicial proceeding. See H.R. Rep. No. 250, *supra*, at 6 (stating that PTO "would give guidance to litigants and the Trademark Bar, through precedent, with respect to such issues as * * * what constitutes dilution").

Similarly, state courts examining the question whether there is a likelihood of dilution have considered a variety of forms of evidence, including the similarity of the marks, a comparison of marketing methods and channels, the nature of the goods, the sophistication of purchasers, and the degree of distinctiveness of the famous mark. Restatement § 25, at 270-271. While the relevance and probative value of each of those factors may vary with the facts of a particular case, those factors may also be considered in determining whether there has been a lessening in the capacity of a famous mark to identify and distinguish goods and services in violation of the FTDA.

Of course, PTO and the state courts make a predictive judgment concerning whether dilution will occur in the future; they are not required to find that some dilution has already occurred Accordingly, the evidentiary showing necessary in those proceedings may differ from the evidentiary showing necessary in a judicial proceeding under the FTDA.

4. In the context of a judicial proceeding under the FTDA, a well-designed consumer survey may have particular relevance. Different kinds of surveys are capable of supplying evidence of dilution. One kind of survey asks consumers what products they associate with the famous mark. If consumers who are not aware of the junior mark identify only products made by the owner of the famous mark, while consumers who are aware of the junior mark identify products made by both the owner of the famous mark *and* products made by the owner of the junior mark, an inference of dilution may be warranted. Barber, *supra*, 89 Trademark Rep. at 630; Patrick M. Bible, *Defining and Quantifying Dilution Under the Federal Tradmark Dilution Act of 1995: Using Survey Evidence to Show Actual Dilution*, 70 U. Colo. L. Rev. 295, 329-330 (1999). In this case, for example, a survey could have asked consumers what products they associate with "Victoria's Secret." If consumers who were not aware of "Victor's Little Secret" identified lingerie, while consumers who were aware of "Victor's Little Secret" identified lingerie and sex toys, an inference of dilution might be warranted.

Another kind of survey asks consumers to name the attributes they associate with a famous mark. If consumers who are aware of the junior mark name fewer positive attributes or more negative attributes than consumers who are not aware of the junior mark, an inference of dilution might be warranted. Eric A. Prager, *The Federal Trademark Dilution Act of 1995: Substantial Likelihood of Confusion*, 7 Fordham Intell. Prop. Media & Ent. L.J. 121, 132 (1996); Barber, *supra*, 89 Trademark Rep. at 630. For example, in this case consumers could have been asked what attributes do you associate with "Victoria's Secret." If consumers aware of "Victor's Little Secret" responded "tasteless,"

while persons not aware of "Victor's Little Secret" responded "tasteful," an inference of dilution might be drawn.

A similar approach is to ask consumers to rate a particular quality of a famous mark. If consumers aware of the junior mark give a significantly different rating than consumers who are not aware of that mark, an inference of dilution may be warranted. Bible, *supra*, 70 U. Colo. L. Rev. at 328-329. For example, in this case, consumers could be asked, on a scale of 1-9, with 1 being tasteless and 9 being tasteful, how do you rate "Victoria's Secret." If consumers who were aware of "Victor's Little Secret" gave "Victoria's Secret" a lower tastefulness rating than those who were not aware of that mark, an inference of dilution might follow. Those examples do not necessarily exhaust the kind of survey evidence that may be probative of dilution. Other survey techniques have also been identified. *Id.* at 330 (discussing surveys that assess variation in the time it takes for a consumer to associate a product with the famous mark, and variation in the order in which products are identified); Prager, *supra*, 7 Fordham Intell. Prop. Media & Ent. L.J. at 132-133 (discussing the use of a confusion survey); Barber, *supra*, 89 Trademark Rep. at 631 n.62 (identifying other approaches that appear in the literature).

Consumer survey evidence has been criticized as a basis for proving dilution on the ground that such evidence is subject to manipulation. *Nabisco*, 191 F.3d at 224. Courts must be cautious in evaluating the probative value of consumer surveys, just as they must be cautious in evaluating the probative value of many other kinds of evidence. But that is not a basis for categorically ruling out such evidence as a method for proving dilution. A properly designed and executed

survey can have significant weight in a dilution case, just as it can have significant weight in a trademark infringement case. Restatement § 23, at 250-251 (stating that survey evidence is useful in proving a likelihood of confusion).

Nor is it fatal to the value of consumer surveys that they may, in some cases, be expensive and time consuming. *Nabisco*, 191 F.3d at 224. National companies already sample consumer opinion, and there is no reason to believe that the category of companies that have "famous" marks will be unable to absorb the costs of conducting surveys that are capable of creating an inference of dilution.

Consumer surveys of the kind discussed above are likely to have less importance in the dilution inquiry conducted by PTO. Because a party challenging a mark in a PTO proceeding need not establish that dilution has already occurred, that party may have less need to rely on consumer surveys. In addition, in some cases, PTO is required to make a predictive judgment even before a challenged mark has been used in commerce. In such cases, the kind of consumer survey evidence discussed above would not be available, and PTO would have to base its determination on different kinds of consumer surveys and other factors.

Even in the context of a judicial proceeding under the FTDA, a consumer survey is not a necessary element of proof in all cases. Congress did not direct that evidence supporting a dilution claim must take a particular form. The relevant question is whether use of the junior mark lessens the capacity of the famous mark to identify and distinguish goods and services, and a party is free to introduce any evidence that is relevant on that issue.

D. A Dilution Plaintiff Is Not Required To Establish That He Has Suffered Economic Harm

The text of the FTDA and its background do not support a further requirement that a plaintiff establish economic harm in order to qualify for relief. In particular, there is no requirement that a dilution plaintiff establish that the defendant's use of a mark has caused consumers to purchase less of a particular product or has caused the market value of the famous mark to fall. Congress expected that the lessening of the capacity of a mark to distinguish goods and services would result in such economic harm, particularly over time. H.R. Rep. No. 374, *supra*, at 3-4 (referring to the need for protection of the commercial value of a famous mark). But the text of the FTDA only requires proof that a junior use causes a lessening in the capacity of the famous mark to distinguish goods and services; it does not require a finding that such a lessening results in economic harm to the owner of the famous mark.

The House Report's examples of actionable dilution reinforce that conclusion. While it is reasonable to infer that the use of BUICK to identify aspirin lessens the capacity of that mark to serve as a unique identifier of cars, it is far more problematic to infer from that act alone that Buick would experience lost sales or that the market value of its mark would fall.

It is also significant that Congress has required PTO to make judgments about whether a mark would cause dilution in the future, even when such marks have not been used in commerce. PTO has the capacity to make a reasoned judgment about whether such a prospective use of a mark would lessen the capacity of a famous mark to distinguish goods and services. It would be exceedingly difficult, however, for PTO to make predic-

tive judgments about the economic consequences of a particular use. Although PTO examines whether the use of a mark would cause dilution in the future, while a court examines whether dilution has already begun, the inquiries mandated by the relevant statutes are otherwise the same. Thus, if economic injury is a necessary predicate for a finding of a dilution violation in a judicial proceeding, PTO would be placed in the difficult position of having to speculate about whether the use of a mark would cause economic harm in the future. That consequence would be avoided by a holding, consistent with the text of the FTDA, that a dilution plaintiff need not prove that the use of a mark causes economic harm. Nonetheless, if evidence of economic harm is available, it is likely to be admissible as relevant and probative in the dilution inquiry.

E. The Court Of Appeals' Decision Should Be Vacated In Part, Reversed In Part, And Affirmed In Part

1. It is unclear whether the court of appeals in this case required proof that some dilution has already occurred as a predicate for relief, or whether it premised its finding of a violation on a likelihood of future dilution. On the one hand, the court of appeals adopted the test for dilution established by the Second Circuit in *Nabisco*, Pet. App. 23a-25a, and the *Nabisco* court squarely held that a plaintiff could obtain an injunction "before the dilution has actually occurred." 191 F.3d at 224-225. On the other hand, the court of appeals in this case described the *Nabisco* factors as a list of ten factors "used to determine if dilution has, in fact, *occurred*." Pet. App. 25a (emphasis added).

The court of appeals' statement (Pet. App. 25a) that it would determine whether there was an "inference of likely harm to the senior mark instead of requiring

actual proof" is also ambiguous. The court could have meant that it would be satisfied with proof that dilution is likely to occur in the future. On the other hand, it could have meant that a dilution plaintiff need only show that it is likely that dilution has already occurred.

To the extent that the court of appeals held that a dilution plaintiff may obtain relief by establishing a likelihood of future dilution, and need not show that some dilution has already occurred, it erred. Because there is a substantial possibility that the court of appeals adopted that standard, its decision with respect to that issue should be vacated.

2. The court of appeals found a violation of the FTDA based merely on a determination that the "Victor's Little Secret" mark is sufficiently similar to the "Victoria's Secret" mark to cause consumers to mentally associate the two marks. Pet. App. 26a-27a. Because evidence that consumers mentally associate two marks does not automatically lead to an inference of dilution under the FTDA, the court of appeals' decision should be reversed to that extent.

3. Finally, the court of appeals correctly held that a dilution plaintiff is not required to show that he has suffered economic harm. That aspect of the court's decision should be affirmed.

CONCLUSION

The judgment of the court of appeals should be vacated in part, reversed in part, and affirmed in part, and the case should be remanded for further consideration under the correct legal standards.

Respectfully submitted.

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In the
Supreme Court of the United States

Victor Moseley & Cathy Moseley,
d.b.a. Victor's Little Secret
Petitioners,
v.
V. Secret Catalogue, et al.
Respondents.

On Writ of Certiorari to the United States Court
of Appeals for the Sixth Circuit

BRIEF OF MALLA POLLACK, *AMICUS CURIAE* SUPPORTING PETITIONERS

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INTEREST OF THE AMICUS CURIAE

Amicus Malla Pollack[1] ("Pollack") is a law professor specializing in intellectual property. She has no direct financial interest in the outcome of this litigation. Pollack has two interests in this case. As a consumer, she wishes to protect free competition because it increases choice and quality while decreasing prices. As a law professor, she fulfills her service duty by filing *amicus* briefs in support of the under-represented public domain. *See, e.g.*, David Lange, *Recognizing the Public Domain*, 44 (no. 4) Law & Contemp. Probs. 147, 176 (1981) (in view of collective action problems, requesting courts to appoint *guardians ad litem* for the public domain in intellectual property cases or, at the least, to welcome *amicus* participation).

AUTHORITY TO FILE

Counsel for petitioners and respondents have consented to the filing of this brief. The consent letters have been filed with the Clerk of the Court.

SUMMARY OF ARGUMENT

This Court granted *certiorari* to answer a question of statutory construction. Petitioners did not question the constitutionality of the Federal Trademark Dilution Act ("FTDA"). The FTDA, however, may violate both the First

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1. No part of this brief was authored by counsel for any party to this case. The cost of this filing has been paid in full by Malla Pollack.

Amendment and the "limited times" requirement of the Copyright and Patent Clause.[2] The FTDA's possible validity rests, in large part, on the requirement that an injunction be issued only if the junior user "causes dilution," 15 U.S.C. § 1125(c), actually produces unnecessary, economic harm to the alleged victim.

If this Court forces the statute into requiring injunctions on a mere inference of "likelihood of dilution," (1) the statute will become more constitutionally doubtful on its face, and (2) instances of possibly unconstitutional application of the statute will multiply.

Therefore, in this case, the rule that a statute should be construed according to its plain meaning is supported by two other strong cannons of statutory construction. First, the rule that statutes should be read to prevent raising doubts of their constitutionality. Second, the rule that, unless Congress has spoken with extreme clarity, statutes should not be read to approach the limits of Congress' power.

ARGUMENT

Amicus Malla Pollack ("Pollack") agrees with Petitioners that the plain language of the Federal Trademark Dilution Act ("FTDA") requires that the party requesting its extraordinary relief prove the existence of actual dilution-harm. *See* 15 U.S.C. § 1125(c)("causes dilution")(using

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2. U.S. Const. Art. I, Sec. 8, cl. 8 ("Congress shall have the power . . . To promote the progress of science and useful arts by securing for limited times to authors and inventors exclusive rights in their respective writings and discoveries."). The meaning of "limited times" is before this Court in Eldred v. Ashcroft, U.S. Sp. Ct. No. 01-618.

present tense). Pollack writes separately to emphasize that a contrary reading of the statute would needlessly increase constitutional problems.

I. Three Cannons of Statutory Construction Support the Actual Harm Requirement

First, a statute must be construed according to its plain meaning except in extraordinary conditions, which are not present here. *See* Dept. of Housing & Urban Dev. v. Rucker, 122 S. Ct. 1230, 1233 (2002) (relying on "plain language of the statute."). The plain meaning of 15 U.S.C. 1125(c) ("causes dilution") requires actual harm before an injunction is granted. Pollack leaves further statutory construction arguments to Petitioners.

Second, the actual harm requirement is supported by the rule of constitutional doubt. Respect for Congress requires the Court to refuse even "an otherwise acceptable construction of a statute" which raises "serious constitutional problems" whenever "an alternative interpretation of the statute is 'fairly possible.'" INS v. St. Cyr, 533 U.S. 289, 299-300 (2001)(citations omitted); Vermont Agency v. United States *ex rel* Stevens, 529 U.S. 765, 787 (2000) (same); Ashwander v. TVA, 297 U.S. 288, 348 (1936) (Brandeis, J., concurring) ("When the validity of an act of the Congress is drawn into question, . . . it is a cardinal principle that this Court will first ascertain, whether a construction of the statute is fairly possible by which the question may be avoided.")(citation omitted).

Third, the actual harm requirement is supported by the plain statement rule. A clear command is required when Congress nears the edge of its authority. *See St. Cyr*, 533 U.S. at 299 ("[W]hen a particular interpretation of a statute invokes the outer limits of Congress' power, we expect a

clear indication that Congress intended that result"; invoking "plain statement rule."). Without extremely clear statutory language, the Court will not assume "that Congress intended to infringe constitutional liberties or usurp power constitutionally forbidden it." DeBartolo Corp. v. Florida Gulf Coast Bldg. & Constr. Trades Council, 485 U.S. 568, 575 (1988)(invoking canon to prevent First Amendment question regarding "truthful[]" handbills).

As discussed below, abandoning the plain meaning of 1125(c) raises serious questions regarding its constitutionality under the First Amendment and will require courts repeatedly to handle difficult issues related to the Copyright and Patent Clause.[3]

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3. The constitutionality of dilution relief has been questioned repeatedly. *See, e.g.,* Syndicate Sales v. Hampshire Paper, 192 F.3d 633, 639 (7th Cir. 1999) (" [Defendant's] constitutional argument . . . is . . . not an insubstantial one," but has been waived); I.P. Lund Trading v. Kohler, Co., 163 F.3d 27, 53 (1st Cir. 1998) (Boudin, J., concurring) ("[I]t is a difficult constitutional question whether protecting the investment [in a famous trade dress] can ever outweigh the public interest in replication [demonstrated by the "limited times" provision of the Copyright and Patent Clause]."); L. L. Bean, Inc. v. Drake Publs., 811 F.2d 26, 33-34 (1st Cir. 1987) (holding Maine anti-dilution statute unconstitutional under First Amendment as applied to magazine article parodying L.L. Bean's catalogue); Robert C. Denicola, *Trademarks as Speech: Constitutional Implications of the Emerging Rationales for the Protection of Trade Symbols*, 1982 Wisc. L. Rev. 158, 206 ("The First Amendment will not permit the trademark owner the power to dictate the form, and thus

II. Removing the Actual Harm Requirement Raises Serious First Amendment Problems

This Court used intermediate scrutiny to probe a much narrower dilution statute for First Amendment infirmity. *See* San Francisco Arts & Athletics, Inc. v. United States Olympic Comm., 483 U.S. 522, 577 & n.16 (1987) ("SFAA") (using tests from United States v. O'Brien, 391 U.S. 367, 388 (1968), and Central Hudson Gas & Elec. Corp. v. Public Svc. Comm'n, 447 U.S. 557, 566 (1980)). Assuming *argunedo* the continued validity of *SFAA*, the Federal Trademark Dilution Act ("FTDA") may still violate

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the effectiveness, of another's speech simply because his trademark has been used to express ideas that he would prefer to exclude from the public dialogue"; criticizing dilution theory); Megan E. Gray, *Defending Against A Dilution Claim: A Practitioner's Guide*, 4 Tex. Int'l Prop. L.J. 205, 225 (1996) ("Arguably, application of the *Central Hudson* test results in the conclusion that dilution laws are unconstitutional [under the First Amendment.]."); Hugh Latimer & Karyn K. Ablin, *Stealth Patents: The Unconstitutionality of Protecting Product Designs under the Federal Trademark Dilution Act*, 90 Trademark Rep. 489, 511 (2000) (concluding that dilution protection of product designs is unconstitutional patent without time limitation); *see also* Sarah Mayhew Schlosser, *The High Price of (Criticizing) Coffee: The Chilling Effect of the Federal Trademark Dilution Act on Corporate Parody*, 43 Arizona L. Rev. 931 (2001) (discussing unpublished case in which a court granted a preliminary injunction under the FTDA while holding the First Amendment bared relief under trademark or copyright).

the First Amendment because of numerous differences between the statutes at issue. Furthermore, since *SFAA*, this Court has signaled greater concern with government interference with commercial speech. Yet none of the leading circuit cases on "causes dilution" analyzed the First Amendment implications of allowing relief for mere "likelihood of dilution."[4]

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4. *See* V Secret Catalogue v. Moseley, 259 F.3d 464 (6th Cir. 2001), *cert. granted*, 122 S. Ct. 1536 (2002) (No. 01-1015); Toro Co. v. ToroHead Inc., 61 U.S.P.Q.2d 1164 (TTAB 2001); Eli Lilly & Co. v. Natural Answers, Inc., 233 F.3d 456 (2000); Westchester Media v. PRL USA Holdings, 214 F.3d 658 (5th Cir. 2000) (discussing First Amendment only in relationship to likelihood of confusion standard as applied to book and magazine titles); Kellogg Co. v. Exxon Corp., 209 F.3d 562 (6th Cir. 2000); Times Mirror Magazines v. Las Vegas Sports News, 212 F.3d 157 (3rd Cir. 2000); Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208 (2d Cir. 1999); Avery Denison Corp. v. Sumpton, 189 F.3d 868 (9th Cir. 1999); Ringling Bros.-Barnum & Bailey Combined Shows v. Utah Div. of Travel Dev., 170 F.3d 449 (1999); I.P. Lund Trading v. Kohler Co., 163 F.3d 27 (1st Cir. 1998). *But see Hearing Before the Subcomm. on Courts, the Internet, and Intellectual Property, of the House Comm. on the Judiciary*, 107th Cong. 2d Sess. at 37 (Feb. 14, 2002; Serial No. 53) (hereinafter "2002 Hearings") (Letter Testimony by the American Civil Liberties Union) (asserting that the "likelihood of dilution" standard "would prohibit trademark use that is protected by the First Amendment."), *available at* <http://www.house.gov/judiciary/courts.htm> (link to "Committee Print," visited May 25, 2002).

SFAA involves Section 110 of the Amateur Sports Act, 36 U.S.C. § 110 ("Sports Act") in which Congress decided to protect in specified circumstances a few statutorily listed symbols held by one named organization. Compared to the Sports Act, the FTDA provides wider protection for a much larger set of marks. The FTDA, therefore, allows protection without requiring any of the limiting circumstances relied on by the Court to uphold the Sports Act.

First, Congress was presumed to have considered the specific symbols protected by the Sports Act. *See SFAA*, 483 U.S. at 539 ("Congress' judgment respecting a certain word is not so limited."). Congress certainly did not consider each potentially protected mark before passing the FTDA.[5] The FTDA provides dilution protection for any "famous" mark, registered or unregistered. Fame is judged during suit with the guidance of a vague list of statutory factors. *See* 15 U.S.C. § 1125(c)(1)(A)-(H). No registry of famous marks exists; would-be junior-users, therefore, have no clear notice

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5. *See Legislative Hearings on H.R. 1270, The "Madrid Protocol Implementation Act of 1995" and H.R. 1295, The "Federal Trademark Dilution Act of 1995" Before Subcomm. on Courts and Intellectual Property of the House Comm. on the Judiciary*, 104th Cong., 1st Sess. (July 19, 1995), *available at* <http://www.hours.gov/judiciary/478.htm> (visited May 25, 2002); H. Rept. No. 104-374, *available at* <http://www.thomas.loc.gov> (visited May 28, 2002);141 Cong. Rec. H14317-18 (daily ed. Dec. 12, 1995), *available at* <http://thomas.loc.gov> (visited May 28, 2002); 141 Cong. Rec. S19306 (daily ed. Dec. 29, 1995), *available at* <http://thomas.loc.gov>, (visited May 28, 2002).

about the status of questionably famous marks.

Second, in *SFAA*, Congress was presumed to have found that "most commercial uses of the Olympic words and symbols are likely to be confusing." *SFAA*, 483 U.S. at 539. "The Government constitutionally may regulate deceptive or misleading speech." *Id.* at 535 n.12 (internal quotation marks and citation omitted).[6] The FTDA provides relief when no likelihood of confusion exits. *See* 15 U.S.C. § 1127 (defining "dilution" as occurring "regardless of the presence or absence of . . . likelihood of confusion, mistake, or deception").

Third, Congress was presumed to have found that the U.S. Olympic Committee's efforts created the value of the word "Olympic." *See SFAA*, 483 U.S. at 534 ("Congress could reasonably conclude that the USOC has distinguished the word "Olympic" through its own efforts."). Even the few cases already litigated have demonstrated that mark holders will attempt to reap sole benefit of others' efforts. For example, a representative of Polo by Ralph Lauren ("PRL"), testifying in favor of the likelihood of dilution standard, lamented that under that standard PRL would have won a dilution claim it lost under the actual dilution test,[7] referring to litigation over the single word "POLO," Westchester

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6. *See also* Thompson v .Western States Med. Center, 122 S. Ct. 1497, 1504 (2002) ("[A]s a threshold matter [we ask] whether the commercial speech concerns unlawful activity or is misleading. If so, then the speech is not protected by the First Amendment.").

7. *See 2002 Hearings,* at 14-15, 17, 18 (statement of Sherry L. Jetter, Vice President, Intellectual Property, Polo Ralph Lauren Corp).

Media Co. v. PRL USA Holdings, 103 F. Supp.2d 935, 981 (S.D. Tex. 1999)(stating that outcome turned on view that FTDA required actual dilution, not a likelihood of dilution), *aff'd in relevant part*, 214 F.3d 658 (5th Cir. 2000).[8] The Fifth Circuit recognized PRL's over reaching:

> PRL's claim [is] to police use of the "POLO" mark by the publisher of the [United States Polo Association]'s official magazine. PRL products became famous by basking in the reflected glow of an elegant sport. PRL now asserts that it, not the sport, is the source of the glow. . . . [W]e cannot be blind, when balancing the equities, to the fact that PRL is arrogating the very name of a sport from the players' publication. In a sense, PRL is biting the hand that fed it.

Westchester Media, 214 F.3d at 673.

Language is not private property. "[W]ords, because they are the common property of the human race, . . . are as little susceptible of private appropriation as air or sunlight. . . ." Holmes v. Hurst, 174 U.S. 82, 86 (1899) (internal quotations & citation omitted). The public's common ownership of words underlies the rule against assignment of trademarks in gross, and the need to prove secondary meaning when claiming trademark rights in descriptive

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8. PRL, furthermore, did obtain relief because it demonstrated likelihood of confusion. *See Westchester Media*, 214 F.3d at 668, 672-675 (affirming judgment of trademark infringement and remanding for reconsideration of appropriate remedy).

terms.[9]

Words have value and meaning before their use by trademark holders. The International Olympic Committee chose the word "Olympic" because of its history in ancient Greece. The Fifth Circuit recognized that PRL chose "polo" because that word conjured up a rich-man's sport. *See Westchester Media*, 214 F.3d at 673. Apple Computer uses a logo showing a fruit with one bite missing.[10] While "APPLE" is certainly "arbitrary"[11] as a mark for computers, the choice of this particular fruit is not random. Most American speakers of English presumably know about Johnny Appleseed, "an apple for the teacher," "an apple a day keeps the doctor away," "A is for Apple" when learning the alphabet, and that apples grow on the Tree of Knowledge in the center of the Garden of Eden. The *SFAA* Court recognized that someone needs to determine whether the mark holder is responsible for enough of a famous mark's power to justify limits on others' non-confusing speech. *See SFAA*, 483 U.S. at 534. The FTDA does not require either evidence or proof on this issue.

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9. *See* McCarthy on Trademarks and Unfair Competition § 18.01[2] (explaining rule against assignments in gross) (3rd ed.); *id.* at § 11.05 [3] (explaining need for secondary meaning).

10. U.S. Tmk. Reg. No. 1225776, *available at* <http://tess.uspto.gov> (visited May 28, 2002).

11. *See* McCarthy on Trademarks and Unfair Competition §§ 11.01, 11.02, 11.04 (explaining "arbitrary" and other strength-terms used for marks).

Fourth, the *SFAA* Court opined that Congress has a special interest in American participation in the international Olympic festival and providing means for the USOC to raise money to advance that participation. *See SFAA*, 483 U.S. at 537-38. No semi-public purpose supports the FTDA.[12]

Fifth, the Sports Act prevents use of the word "Olympic," only "for the purpose of trade, to induce the sale of any goods or services, or to promote any theatrical exhibition, athletic performance, or competition." 36 U.S.C. § 380, *as quoted in SFAA*, 483 U.S. at 527 n.4. The *SFAA* Court saw "no basis in the record [to fear] that the [Sports] Act will be interpreted or applied to infringe significantly on noncommercial speech rights." *Id.* at 536 n.15. This Court now has a firm basis for recognizing that the FTDA is interpreted and applied to infringe significantly on noncommercial speech rights.

The FTDA has a broader scope than the Sports Act. The FTDA reaches all "commercial use in commerce," 15 U.S.C. § 1125(c)(1)(first paragraph), but not "[n]oncommercial use of a mark," *id.* at (4)(C). "The word 'commerce' means all commerce which may lawfully be regulated by Congress." 15 U.S.C. § 1127.

As applied, the noncommercial use exception does not match the First Amendment concept of commercial speech. For the purposes of locating speech with somewhat limited First Amendment protection, "commercial speech" is

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12. Its advocates do not claim that the "likelihood of dilution" standard is mandated by some international agreement. *See 2002 Hearings*. Furthermore, a treaty does not override the First Amendment. *See* Boos v. Berry, 485 U.S. 312 (1988) (refusing to allow counselor treaty to permit limitation of First Amendment rights).

"speech proposing a commercial transaction, which occurs in an area traditionally subject to government regulation." Lorillard Tobacco Co. v. Reilly, 533 U.S. 525, 554 (2001). The FTDA's noncommercial use exception, however, does not limit dilution liability to "advertising or a sale of goods or services." Planned Parenthood Fed. v. Bucci, 42 U.S.P.Q.2d 1430, 1435 (S.D. N.Y. 1997) (denying "noncommercial use" defense to 1125(c)), *aff'd without op.*, 152 F.3d 920 (2d Cir.), *cert. denied*, 525 U.S. 834 (1998).

Despite alleged-dilutors' invocation of the "noncommercial use" exception, the FTDA has been used to impose limitations on "commercial use" outside the First Amendment's "commercial speech" category. The FTDA was held to reach a web site critical of the religious beliefs and proselytizing of Jews for Jesus because:

> [a]lthough the Defendant Internet site does not solicit funds directly like the defendant's site did in *Planned Parenthood*,[13] the Outreach Judaism Internet site

13. Planned Parenthood Fed. v. Bucci, 42 U.S.P.Q.2d 1430 (S.D. N.Y. 1997) (holding web site providing, without charge or obligation, the text of anti-abortion book diluted pro-abortion group's mark), *aff'd without op.*, 152 F.3d 920 (2d Cir.), *cert. denied*, 525 U.S. 834 (1998). The District Court denied a "noncommercial use" defense to the FTDA:

> I hold . .. that defendant's use of plaintiff's mark is "commercial" for three reasons: (a) defendant engaged in the promotion of a book, (2) defendant is, in essence, a non-profit political activist who solicits funds for his activities, and (3) defendant's

> (available through the hyperlink) does do so through the sale of certain merchandise.
>
> . . .
>
> The conduct of the Defendant also constitutes a commercial use of the Mark and the Name of the Plaintiff Organization because it is designed to harm the Plaintiff Organization commercially by disparaging it and preventing the Plaintiff Organization from exploiting the Mark and the Name of the Plaintiff Organization.

Jews for Jesus v. Brodsky, 993 F. Supp. 282, 308 (D.N.J.), *aff'd without op.*, 159 F.3d 1351 (3rd Cir. 1998) (footnote added). If Brodsky had posted disparaging opinions[14] about a

> actions are designed to, and do, harm plaintiff commercially.

Planned Parenthood, 42 USPQ2d at 1435.

14. The District Court quoted the following text from Defendant Brodsky's web site:

> Jews for Jesus?
> Are you interested in learning about Jews and Jesus?
> Want to know why one cannot believe in Jesus and be a Jew?
> . . .
> Click *here* to learn more about how the Jews for Jesus cult is founded upon deceit and distortion of fact. . . . This website is an independent project which reflects the personal opinion of its owner . ..

famous natural person, a "public figure," and these postings were likely to prevent that person from earning as much as he would otherwise, presumably the First Amendment would have prevented the District Court of New Jersey from enjoining his speech on that sole basis.[15] *See* Curtis Publ. v.

Jews for Jesus, 993 F. Supp. at 282 n.13 (emphasis in original). *See also* Gideons Int'l v. Gideon 300 Ministries, 94 F. Supp.2d 566 (E.D. Penn. 1999)(finding dilution of non-profit religious organization's mark by another nonprofit religious organization). The *Gideons* court rejected the defense of noncommercial use because:

> [b]y incorporating, raising money, and distributing goods and services [for free] to the consuming public [the homeless], Gideon 300 engages in commercial activity. Gideon 300's use of the United States mail to solicit contributions in interstate commerce is further, strong evidence of the enterprise's commercial character.
>
> Furthermore, the purpose of the [FTDA]'s noncommercial use exception was not to exempt not-for-profit corporations, but to protect parody, satire, editorial, and other forms of expression that are not part of a commercial transaction.

Id. at 588 (internal quotation marks and citations omitted).

15. *See also* Denicola, *supra* note 3, at 197-99 (likening constitutional limits on use of trademarks to constitutional limits on use of famous persons' names); Schlosser, *supra* note 3, at 959 (same).

Butts, 388 U.S. 130, 155 (1967) (plurality opinion) ("a 'public figure' who is not a public official may also recover damages for a defamatory *falsehood* . . . on a showing of highly unreasonable conduct . . .") (emphasis added).

The narrowness of the "noncommercial use" exception as applied is illustrated by the following hypotheticals. First, consider the "[a]lternative art rubber stamps for the easily amused!" sold by Lost Angeles Rubber Works ("LARW").[16] LARW is engaged in commerce. Its site offers rubber stamps for sale. Stamp 1902-B, offered for sale at $6.55, is reproduced below[17]:

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16. *See* <http://www.larubberworks.com/index.html> (visited May 30, 2002) (showing this slogan on firm's home page).

17. This image is reproduced without permission under a claim of fair use. *See* 17 U.S.C. §107. Lost Angeles Rubber Works © 2002. *See* <http://www.larubberworks.com/stmpt4.html> (visited May 30, 2002).

The cigarette box depicted bears an interesting resemblance to the box used by Lucky Strike®.[18] Hypothetically, we could increase the resemblance by slightly modifying the circle design and changing the brand name to "UNLUCKY STRIKES." Such a stamp would be quite useful for anti-smoking campaigns. For example, a school's parent organization could use the stamp to make invitations and decorations for the junior high school prom. If the cigarette manufacturer sues LARW under § 1125(c), LARW would not be able to claim non-commercial use on behalf of its intended customers. It would also be ineligible for the news reporting or comparative advertising exceptions.[19]

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18. *See* U.S. Tmk. Reg. No.0404302, (showing registration of design for use on "cigarettes and smoking tobacco" with first use in commerce 1871); *see also* U.S. Tmk. Reg. No. 0366744 (showing registration of circle design containing words "LUCKY STRIKE" for use on "cigarettes and smoking tobacco" with first use in commerce 1871); U.S. Tmk. Reg. No. 1956740 (showing registration of similar circle design for use on "men's and women's clothing" with first use in commerce 1993); U.S. Tmk. Reg. No. 0118372 (showing registration of word mark 'LUCKY STRIKE," with no limitation on style or color of lettering, for various types of tobacco products with first use in commerce 1883). All registrations available at <http://tess.upsto.gov> (visited May 30, 2002).

19. The only three exceptions from dilution liability read:
(4) The following shall not be actionable under this section:
(A) Fair use of a famous mark by another person in

Second, assume that American doctors of Arab descent decide to raise American consciousness of the Middle East by spreading information about Arab contributions to world culture during the Middle Ages. The doctors form "Arabian Culture, Inc. ("AC"), a non-profit corporation which does not solicit funds from non-members. Most members of AC believe that funds donated to the International Red Cross end up disproportionately in Israeli hospitals. As part of its awareness campaign, AC creates an Internet site which includes a picture of a defeated army of Crusader-knights being treated by persons in traditional Arab robes. The knights are bleeding; their blood forms a large pool shaped to match the Greek-cross insignia of the International Red Cross.[20] The AC site does not itself ask for

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comparative commercial advertising or promotion to identify the competing goods or services of the famous mark.
(B) Noncommercial use of a mark.
(C) All forms of news reporting and news commentary.
15 U.S.C. § 1125(c)(4)(A), (B), (C).

20. Conceivably this use might violate 18 U.S.C. § 706 (June 25, 1948, c. 645, 62 Stat. 732), which criminalizes both fraudulent impersonation of a Red Cross worker and "[w]hoever . . . uses the emblem of the Greek red cross on a white ground, or any sign or insignia made or colored in imitation thereof or the words "Red Cross" or "Geneva Cross" or any combination of these words . . . " I was unable to locate any reported American case relying on 18 U.S.C. § 706 in comparable circumstances. *Compare e.g.*, Stanley Labs. v. FTC, 138 F.2d 388, 389 (9th Cir.

donations of any kind or offer merchandise for sale. However, it has hyperlinks to the re-election committees of several pro-Palestinian Congresspersons. These re-election sites allow visitors to donate on-line by approving charges to their credit cards. The AC site also links to bookstores specializing in relevant history books. The Red Cross sues AC for dilution of its famous cross-logo.

Under the analysis used in *Planned Parenthood*, and *Brodsky*, the AC's site forfeits the "noncommercial use" exception because it links to several sites requesting donations or offering books for sale. Since AC's site deals only with facts about the Middle Ages, it does not seem to qualify for the news exception, § 1125(c)(4)(C). AC's site is not engaged in comparative commercial advertising, the only other exception, § 1125(c)(4)(A).[21]

1943) (enforcing Federal Trade Comm. cease and desist order baring "use of the letters 'M.D.', either alone or in conjunction with the pictorization of a doctor, nurse, or cross, in connection with a medicated douche powder" because such pictorization "is deceptive in that it tends to lead the public to believe that the powder is endorsed by the medical profession or by the American Red Cross"; relying on Federal Trade Comm. Act, 15 U.S.C. § 41 *et seq*.).

21. A distortion of a pictorial mark may never be allowable "[f]air use of a famous mark by another person in comparative commercial advertising or promotion to identify the competing goods or services of the owner of the famous mark," 15 U.S.C. § 1125(c)(4)(A). *See* Deere & Co. v. MTD Prods., Inc., 41 F.3d 39 (2d Cir. 1994) (affirming, under New York law, an injunction against

If all solicitation of funds is outside the "noncommercial use" exception, even sites by the Democratic National Committee, the Republican National Committee, or committees formed to elect specific political candidates are outside this exception. In ordinary language, these sites are also outside the "comparative advertising" exception. Are they within the exception for "[a]ll forms of news reporting and news commentary"[22]? Most presumably are, but "news" is arguably narrower than "politics." An Internet site or campaign flyer discussing only a candidate's personality or early life is not within the ordinary meaning of "news." All the uses mentioned in this paragraph, however, are core political speech worthy of the strongest First Amendment protection.

The need to prove actual dilution should prevent suits similar to the above hypotheticals from becoming more than mere nuisances.

Finally, *SFAA* was decided on the assumption that "commercial speech receives a limited form of First Amendment protection." *SFAA*, 483 U.S. at 535 (internal quotation marks and citations omitted). More recent cases have suggested that First Amendment protection of commercial speech is not as limited as previously believed.[23]

MTD television commercial implying superiority of MTD's products by using a humorous cartoon based on Deere's logo).

22. 15 U.S.C. § 1125(c)(4)(C).

23. *SFAA*'s leading authority for the limited protection of commercial speech is Posadas de Puerto Rico Ass'n. v.

See Thompson, 122 S. Ct. at 1507 (emphasizing requirement that Government prove "that the regulation directly advances [it's substantial] interest and is not more extensive than necessary to serve that interest" while holding advertising limitations unconstitutional) (internal quotation marks and citations omitted); *Lorillard*, 533 U.S. at 561 (terming the "fit" between means and goals the "critical inquiry") (internal quotation marks and citations omitted); *see also Thompson*, 122 S. Ct. at 1504 (admitting that some members of the Court "have expressed doubts about the *Central Hudson* standard," and implying that Court is now being stricter in applying that test, "*Central Hudson* as applied in our more recent commercial speech cases, provides an adequate basis for decision") (emphasis added; citations and internal quotation marks omitted).

In summary, the First Amendment status of the FTDA is unclear. This legislation is only sustainable if its "incidental restrictions on First Amendment freedoms are [not] greater than necessary to further a substantial governmental interest." *SFAA*, 483 U.S. at 536 (quoting *O'Brien*). The only government interest supporting the FTDA seems to be protecting one set of private property from erosion through otherwise lawful, non-fraudulent, non-confusing speech. If this Court weakens the harm requirement to mere "likelihood of dilution," the FTDA becomes even more questionable under First Amendment

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Tourism Co., 478 U.S. 328, 340 (1986). *See SFAA*, 483 U.S. at 535. This Court has since recognized that *Posadas* applied the review standard in a uniquely lax manner. *See* Greater New Orleans Broad. Ass'n v. United States, 527 U.S. 173, 182 (1999).

principles. "[A] government body seeking to sustain a restriction on commercial speech must demonstrate that the harms it recites are real . . . " *Lorillard*, 533 U.S. at 555 (citations omitted; emphasis added). This Court should enforce Congress' plain requirement of real dilution.

III. Removing the Actual Harm Requirement Raises Potential Issues Under the Copyright and Patent Clause

The Constitution prevents Congress from giving "authors" or "inventors" rights to "exclude" the public from use of copyrightable or patentable subject matter for longer than "limited times."[24] Trademarks are not required to be copyrightable or patentable subject matter. The Trademark Cases, 100 U.S. (18 Otto) 82, 94 (1879) (holding that statute protecting use-based trademarks is outside Congress' Copyright and Patent power because such marks are neither "writings" nor "discoveries.").

Many current trademarks, however, are copyrightable subject matter, having the requisite "minimal level of creativity." Feist Publ'ns v. Rural Tel. Svc., 499 U.S. 340, 359 (1991). Many marks, for example, include drawings or sculptural elements.[25] Even simple drawings are

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24. "Congress shall have the power . . . To promote the progress of science and useful arts by securing for limited times to authors and inventors exclusive rights in their respective writings and discoveries." U.S. Const. Art. I. Sec. 8, cl. 8.

25. Examples are present even in the small group of leading FTDA cases. *See, e.g., Kellogg*, 209 F.3d at 564

copyrightable if independently created.

Trademark protection of copyrightable works whose copyright protection has expired has been allowed by some courts on the ground that trademark protects consumers from confusion.[26] However, relief for dilution does not require a showing of even a likelihood of confusion. *See* 15 U.S.C. § 1127 ("The term 'dilution' means the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of – . . . (2) likelihood of confusion, mistake, or deception.").

Hypothetically, therefore, allowing relief for mere "likelihood of dilution," may result in judgement for the holder of a mark which is (a) a drawing containing copyrightable subject matter, (b) which is deemed famous because it is the mark emblazoned on the locally best selling version of a very specialized product,[27] and (c) confuses no

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(cartoon drawing of tiger); *Nabisco*, 191 F.3d at 212 (goldfish shaped cracker); *Toro Co.*, 61 USPQ2d at 1165 (drawing of bull's head).

26. *See* McCarthy on Trademarks and Unfair Competition § 6.10 (3rd ed.) (providing overview of cases); *see id.* at 6-52 (focusing on confusion requirement); *see also* Latimer & Ablin, *supra* note 3, at 490 ("[T]he key distinction that allows trademarks peacefully to coexist with patents and copyrights is that trademarks . . . require[] a demonstration of consumer confusion . . . ").

27. Some courts have declared marks may be "famous" even though they are well known only in niche markets. *See, e.g., Times Mirror*, 212 F.3d at 164-65; *Syndicate*

one – even without any proof that the mark holder has suffered actual injury. Furthermore, the mark-holder may not be the "author" as defined under the Copyright Act. The protection will last until the mark is abandoned– potentially forever – in violation of the constitutional "limited times" requirement of Article I, Section 8, clause 8.[28]

Even more difficult issues arise under the Patent prong of the Copyright and Patent Clause. Trademark rights are available in product configurations, (often termed "trade dress"), which may include formerly patented subject matter,[29] or product elements unprotectable by utility or

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Sales, 192 F.3d at 641.

28. The Lanham Act rests on Congress commerce power, but the Commerce Clause may not be used to by-pass a limit in the text of another Article I power. *See* Railway Labor Executives Ass'n v. Gibbons, 455 U.S. 457, 465 (1982) (refusing to allow Commerce Clause by-pass of uniformity limit in Bankruptcy Clause). Nor may the Treaty Power be used to by-pass a textual fence blocking Congress' power. *See* Paul J. Heald & Suzanna Sherry, *Implied Limits on the Legislative Power*, 2000 Univ. of Il. L. Rev. 1119, 1181-82 (explaining). The Necessary and Proper Clause may not be used to "adopt measures which are prohibited by the Constitution" or "pass laws for the accomplishment of objects not intrusted to the government." M'Culloch v. Maryland, 17 U.S. 316, 423 (1819).

29. *See* TrafFix Devices v. Marketing Displays, 532 U.S. 23, 25-26 (2001) (trade dress infringement claim on road

design patent.[30] Even with the need to demonstrate likelihood of confusion, this Court has refused to allow trade dress in functional product configurations,[31] but has declined to provide analysis of the difficult, underlying constitutional issue.[32] The First Circuit declined to reach the limited times

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sign covered by expired utility patent).

30. *See id.* at 28 ("It is well established that trade dress can be protected under federal law," and referring to "[t]he design . . . of a product.").

31. *See id.* at 32-33. *But see In re* Mogen David Wine Corp., 372 F.2d 539, 545-46 (CCPA 1967) (Smith, J., concurring) (arguing that likelihood of confusion would allow trade dress protection for wine bottle while, or after, it was protected by design patent).

32. *See TrafFix,* 532 U.S. at 34 (reserving constitutional issue). *But see* Compco Corp. v. Day-Brite Lighting, Co., 376 U.S. 234, 234-35 (1964)(holding state law could not prevent competitor from marketing look-alike product in suit over lighting fixture which had been refused a utility patent and whose design patent had been held invalid); Sears, Roebuck & Co., v. Stiffel Co., 376 U.S. 225, 226 (1964) (holding state law could not prevent competitor from marketing look-alike product in suit over lighting fixture whose utility and design patents had both been held invalid for want of invention); Kellogg Co. v. National Biscuit Co., 305 U.S. 111 (1938) (refusing to allow enforcement of either famous word mark or famous product configuration mark after expiration of patents).

issue regarding alleged dilution of a faucet because the design was held not to be famous.[33] If this Court approves FTDA relief whenever dilution is merely likely, the constitutional issue of permanent protection for product configurations will arise in a much larger number of cases.

In summary, dilution protection raises the same "limited times" constitutional problem as does trademark infringement, but dilution does not allow the same confusion-based partial solution. Reading the FTDA to require only a likelihood of dilution will increase the number of instances in which a court will have to decide whether the FTDA as applied violates the "limited times" provision of the Copyright and Patent Clause.

CONCLUSION

The plain meaning of the FTDA requires actual dilution. The plain meaning is supported by two rules of statutory construction. First, the rule that statutes should be read to prevent raising doubts of their constitutionality. Second, the rule that, unless Congress has spoken with extreme clarity, statutes should not be read to approach the limits of Congress' power. Removing the actual harm element of the FTDA would unnecessarily multiply constitutional issues under both the First Amendment and the Copyright and Patent Clause.

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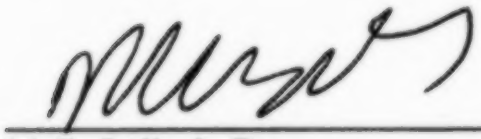
33. *See I.P. Lund*, 163 F.3d at 33, 35, 50, 51.

For all these reasons, this Court should hold that "causes dilution" means what it says — a party demanding FTDA relief must prove actual dilution-harm.

Respectfully submitted,
June 24, 2002



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In The
Supreme Court of the United States

VICTOR MOSELEY AND CATHY MOSELEY
d/b/a VICTOR'S LITTLE SECRET,
Petitioners,

v.

V. SECRET CATALOGUE, INC., VICTORIA'S SECRET STORES, INC. AND VICTORIA'S SECRET DIRECT, LLC,
Respondents.

On Writ Of Certiorari To The United States Court Of Appeals For The Sixth Circuit

AMICUS CURIAE BRIEF OF THE AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION IN SUPPORT OF RESPONDENTS

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QUESTION PRESENTED

Whether, under the Federal Trademark Dilution Act, the phrase "causes dilution of the distinctive quality of the mark," read in conjunction with the definition of dilution, requires objective proof of actual injury to the economic value of the famous mark.

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AMICUS CURIAE BRIEF OF THE AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION IN SUPPORT OF RESPONDENTS

The American Intellectual Property Law Association ("AIPLA") respectfully submits this Brief as Amicus Curiae in support of Respondents.

INTEREST OF THE AMICUS CURIAE[1]

The AIPLA is a national bar association of more than 14,000 members with interests and practices primarily in the areas of trademark, copyright, trade secret, patent and other areas of intellectual property law. Unlike areas of practice in which separate and distinct plaintiff's and defendant's bars exist, most intellectual property law attorneys represent both intellectual property owners and alleged infringers.

The AIPLA has no interest in any party to this litigation or stake in the outcome in this case, other than its interest in seeking a correct interpretation of the trademark laws relating to dilution.

In accordance with Supreme Court Rule 37.3(a), the AIPLA has obtained written consent to the filing of this brief from the counsel of record for both parties. The letters of consent have been filed with the Clerk of the Court.

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[1] In accordance with Supreme Court Rule 37.6, *amicus curiae* states that this brief was not authored, in whole or in part, by counsel to a party, and that no monetary contribution to the preparation or submission of this brief was made by any person or entity other than the *amicus curiae* or its counsel.

SUMMARY OF ARGUMENT

Dilution law is designed to preserve the capacity of a famous trademark clearly to distinguish a single source of goods or services even in the absence of consumer confusion. This case concerns the standard necessary to establish dilution under the Federal Trademark Dilution Act ("FTDA"), 15 U.S.C. §§ 1125(c), 1127 (2002). The FTDA's language does not require proof that a single dilutive use result in immediately quantifiable economic harm. Rather, the statute provides relief to the famous mark owner when the junior user's dilutive mark reduces the distinctive quality of the famous mark. This type of injury is not always susceptible to objective proof, but can be shown from circumstantial evidence.

The primary remedy under the FTDA is injunctive relief; money damages are only available where willfulness is shown. Evidence of actual injury is not the standard for granting an injunction, which serves to stop current or prevent *future* harm. Requiring proof of actual economic harm by a single person (or entity) also ignores the cumulative effect of numerous third-party dilutive uses. The gradual whittling away of the distinctive value of a famous mark is what the FTDA seeks to *prevent*. Settled principles of equity, as embodied in the Trademark Act, do not require a showing of actual harm for the granting of injunctive relief.

The Fourth Circuit in *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah*, 170 F.3d 449 (4th Cir. 1999), *cert. denied*, 528 U.S. 923 (1999), suggested three types of evidence that could support a finding of "actual harm" under the FTDA: (1) lost revenues; (2) consumer surveys; and (3) indirect evidence of relevant contextual factors. The first of these forms of evidence may be non-existent in dilution cases; the second impractical or

unreliable. The third is much like the evidence used to support the "likelihood of dilution" standard advocated by other circuit courts.

By enacting the FTDA, Congress intended fully to implement the United States' treaty obligations under the Agreement on Trade Related Aspects of Intellectual Property Rights ("TRIPS"). The standard in TRIPS is literally "likely to be damaged," or in the context of the FTDA, "likely to be diluted." Congress intended the FTDA to reflect this standard, not to require an inconsistent, higher "actual dilution" standard.

Finally, both the plain language of the FTDA and its legislative history confirm that actual economic harm need not be shown. Three years after the FTDA was passed, the Act was amended expressly to allow attacks, based on dilution, against applications and registrations before the Trademark Trial and Appeal Board of the United States Patent and Trademark Office. The uniform standard before federal courts and the Trademark Trial and Appeal Board should be *likelihood* of dilution.

I. WHY TRADEMARK LAW PROTECTS FAMOUS TRADEMARKS FROM DILUTION.

One purpose of trademark law is to prevent confusion, mistake or deception of consumers. 15 U.S.C. §§ 1114(1)(a), 1125(a). A second purpose is to preserve fair competition and the owner's goodwill investment in its mark and business. Trademark infringement and trademark dilution laws provide complimentary means to achieve the second goal.

Protecting trademark owners creates incentives to invest in quality products and services by preventing free riders from unfairly benefiting from another's reputation for quality. *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 164 (1995) (stating that trademark law helps "assure a producer that it (and not an imitating competitor) will reap the financial, reputation-related rewards associated with a desirable product"). Consumers benefit from these investments in quality, separate and apart from being protected against confusion as to source. *See* Gerard N. Magliocca, *One and Inseparable: Dilution and Infringement in Trademark Law*, 85 MINN. L. REV. 949, 958 (2001) (stating that "a lack of trademark protection . . . reduce[s] the incentive for companies to pursue quality and leave[s] consumers worse off"). Dilution law augments trademark protection to cover non-confusing junior uses in order to promote this important objective. 15 U.S.C. § 1127.

The seminal dilution case, for example, involved the sale of bicycles under the brand name "KODAK." *Eastman Photographic Materials Co. v. John Griffiths Cycle Co.*, 15 R.P.C. 105 (Ch. D. 1898). Although consumers were not likely to be confused by the mis-branding, Eastman, and consequently consumers, were no doubt likely to be harmed by the dilutive use. Madrid Protocol Implementation Act and Federal Trademark Dilution Act of 1995: Hearing Before the Subcommittee on Courts and Intellectual Property of the Committee on the Judiciary House of Representatives, 104th Cong. 165 (1995) ("FTDA Hearing") (statement of Thomas E. Smith, Chair, Section of Intellectual Property Law, American Bar Association) (stating that at the end of the nineteenth century, English law accepted dilution actions against non-competitors). Congress recognized just this problem in enacting the Federal Trademark Dilution Act ("FTDA"), 15 U.S.C. §§ 1125(c), 1127, stating, "the use of DUPONT for shoes, BUICK aspirin, and KODAK pianos

would be actionable under this legislation." H.R. REP. NO. 104-374, at 3 (1995), *reprinted in* 1996 U.S.C.C.A.N. 1029, 1030.

Dilution protection prevents a famous trademark from losing its ability to distinguish clearly a single source of goods or services, even in the absence of consumer confusion. Dilution begins when the psychological connection made by the consumer between the famous mark and its goods or services is challenged by a dilutive use. If allowed to continue, this connection is weakened, and the irreparable harm then grows and feeds off of the commercial power of the famous mark. Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813, 825 (1927) (stating that the real injury "is the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark"). Erosion of the power of the mark may occur well before any actual economic harm has taken place. *Nabisco, Inc. v. Pepperidge Farm, Inc.*, 191 F.3d 208, 224 (2d Cir. 1999).

In today's marketplace, famous trademarks can be worth millions, or even billions of dollars, and mega-brand names "like Coca-Cola, IBM and McDonald's are so valuable that even *approximating* their advertising slogans to sell similar or even different products can mean millions of dollars in lost sales to the manufacturers of the real thing." Youssef M. Ibrahim, *As Trademarks Multiply, Infringement Does, Too*, N.Y. TIMES, Nov. 12, 1998, at c2 (emphasis added). Companies like Eastman Kodak, Coca-Cola and IBM that are victims of trademark dilution can suffer as much, if not greater, harm to their marks than those who suffer from acts of infringement. Dilution law protects trademark owners and consumers in a manner similarly afforded by trademark infringement law, but dilution law also prevents a slightly different and more gradual harm.

II. REQUIRING PROOF OF ACTUAL, CONSUMMATED HARM WOULD CREATE EVIDENTIARY AND OTHER PRACTICAL PROBLEMS.

Petitioners' interpretation of the FTDA to require proof of actual economic injury before relief may be granted (Petitioners' Brief at 21) would frustrate the intent of the statute by creating unreasonably high evidentiary hurdles not required by the FTDA text or legislative history. The majority of federal circuit courts have rejected proof of actual economic harm, in part because such actual economic harm is virtually impossible to prove. *Nabisco*, 191 F.3d at 223-24 (finding proof of actual dilution inappropriate because the "senior user might never be able to show diminished revenues"); *Times Mirror Magazines, Inc. v. Las Vegas Sports News, LLC*, 212 F.3d 157, 169 (3d Cir. 2000) (concluding that such standard would subject a trademark owner to irreparable harm resulting from the "lack of control over the use of one's own mark"), *cert. denied*, 531 U.S. 1071 (2001); *Victoria's Secret Stores, Inc. v. Moseley*, 259 F.3d 464, 476 (6th Cir. 2001) (stating that "proving actual harm would be extremely difficult, as no such harm would have taken place when the remedy became available, and proof would be limited to the sorts of consumer surveys that the Fourth Circuit itself admits are unwieldy at best"), *cert. granted*, 122 S. Ct. 1536 (2002); *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 468 (7th Cir. 2000) (concluding that "the Fourth Circuit's [standard] holds plaintiffs to an impossible level of proof"); *see also* William G. Barber, *How To Do A Trademark Dilution Survey (Or Perhaps How Not To Do One)*, 89 TRADEMARK REP. 616, 616 (1999) (stating that "[o]ne of the main problems with proving dilution in litigation is that it is so difficult to detect in the market place").

Even those circuits that have endorsed a standard requiring proof of actual economic harm have acknowledged the difficulty of providing such proof. *See, e.g., Ringling Bros,* 170 F.3d at 464 (conceding that "difficulties of proving actual dilution by practically available means is evident," and that its interpretation "defies proof by the ordinary processes of advocacy"); *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658, 670 (5th Cir. 2000) (following the Fourth Circuit), *cert denied*, 122 S. Ct. 646 (2001). In *Ringling Bros.*, the Fourth Circuit suggested three types of evidence that would satisfy that court's standard of "actual harm" under the FTDA: (1) lost revenues; (2) consumer surveys; and (3) indirect evidence of relevant contextual factors. *Id.* Upon closer examination, neither the first nor second of these types of evidence reliably demonstrates the prohibited dilution. The third option is indistinguishable from evidence offered under the "likelihood of dilution" standard.

A. *Evidence of Lost Revenues is Inconclusive*

Decreases in revenues can never conclusively prove dilution. *Nabisco*, 191 F.3d at 223. The distinctiveness of a mark may be diluted even though sales are increasing due to other favorable market conditions. *Eli Lilly*, 233 F.3d at 456. As a practical matter, "[u]nless a senior mark owner has the foresight to conduct a baseline survey before dilution begins, they [sic] may be unable to show . . . that dilution was not merely a result of changing market conditions." Jennifer Mae Slonaker, *Conflicting Interpretations of the Federal Trademark Dilution Act Create Inadequate Famous Mark Protection*, 26 DAYTON L. REV. 121, 147 (2000). As a result, courts may be left to speculate as to whether the loss of revenues occurred from dilution of a mark, as opposed to other factors such as lack of exposure or consumer disinterest. *Id.* at 148.

B. *The Use of Consumer Surveys in Dilution Cases is Impractical at Best*

The crux of the problem with using surveys in dilution cases is that "[u]nlike the readily understandable concepts of confusion, mistake and deception, upon which existing trademark remedies are premised, the weakening of goodwill is not susceptible to direct proof." FTDA Hearing (statement of Jonathan E. Moskin, Partner, Pennie & Edmonds). At least one Court of Appeals "doubt[s] that dilution of the distinctiveness of a mark is something that can be measured on an empirical basis by even the most carefully constructed survey." *Eli Lilly*, 233 F.3d at 468. Further, even theoretically well-crafted consumer surveys can be expensive, time consuming, and susceptible to manipulation. *Nabisco*, 191 F.3d at 224 (finding circumstantial evidence sufficient proof of dilution).

Dilution is, by its very nature, difficult to measure quantitatively. Direct evidence of dilution of distinctiveness is illusory because "mental associations evoked by the mark [are] not easily sampled by consumer surveys and not normally manifested by unambiguous consumer behavior." RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 25, cmt. f. (2002); Patrick M. Bible, *Defining and Quantifying Dilution Under the Federal Trademark Dilution Act of 1995: Using Survey Evidence to Show Actual Dilution*, 70 U. COLO. L. REV. 295, 313 (1998) (stating that "where plaintiffs seek preliminary injunctive relief to prevent a junior user's products from entering the market, survey evidence of actual dilution will be unavailable").

It is all but impossible to compare by survey methodology the selling power of a famous mark *before* a defendant's dilutive use begins with the diminished selling power of the famous mark *after* the dilutive use began. Even

if this were possible, famous mark owners would then be compelled continually and formally to survey consumer perception of their marks in anticipation of dilution litigation, thus imposing on trademark owners an impractical burden that would substantially drive up the cost of owning and maintaining a famous mark.

C. *Indirect Evidence of Contextual Factors Proves a Likelihood of Dilution, Not Actual Harm*

Consistent with trademark infringement actions and many other areas of law, a likelihood of dilution standard permits courts to draw inferences of dilution based on circumstantial evidence instead of requiring direct evidence of actual dilution generally unavailable to litigants. *See, e.g., Nabisco*, 191 F.3d at 224, n.5. Indirect evidence of relevant contextual factors is no different than the types of inferential proofs used in a likelihood of dilution analysis. Even the Fourth Circuit concedes that "relevant contextual factors . . . are of obvious relevance as indirect evidence [of dilution]." *Ringling Bros.*, 170 F.3d at 465. Because contextual factors "have long been used to establish infringement" and are appropriate for establishing dilution, *Nabisco*, 191 F.3d at 224, inferential methods of proof are necessary in dilution cases brought under the FTDA.

III. ESTABLISHED PRINCIPLES OF EQUITY AND TRADEMARK LAW NECESSARILY ALLOW DILUTION TO BE PROVEN THROUGH AN INFERENCE OF HARM WITHOUT WAITING FOR ACTUAL INJURY TO OCCUR.

Principles of equity do not require actual harm for the granting of injunctive relief. *Swift & Co. v. United States*, 276 U.S. 311, 326 (1928) ("an injunction may issue to

prevent future wrong, although no right has yet been violated"); *B.F. Goodrich Co. v. Wohlgemuth*, 192 N.E.2d 99, 105 (Ohio Ct. App. 1963) (courts have long recognized that there is "no doubt that an injunction may issue in a court of equity to prevent a future wrong although no right has yet been violated").

This rule applies equally to trademark and unfair competition matters, in which "the controlling legal standard for the remedy of an injunction is *not* whether the plaintiff can prove that actual damage has occurred to its goodwill and reputation." 5 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 30:2 (4th ed. 2002). Congress acknowledged these traditional principles of equity in the Lanham Act, which expressly provides that courts "shall have power to grant injunctions, according to the principles of equity . . . to prevent a violation [under Section 43(a)]." 15 U.S.C. § 1116(a).

The only proof necessary for "injunctive relief in the federal courts has always been irreparable harm and inadequacy of legal remedies," *Beacon Theatres, Inc. v. Westover*, 359 U.S. 500, 506-507 (1959), *not* actual harm. Congress did not modify the standards of proof required to obtain an injunction when it enacted the FTDA. The statute is clear: owners of famous trademarks may seek *only* injunctive relief unless the defendant willfully diluted the mark, in which case damages are available, *subject to principles of equity*. 15 U.S.C. § 1125(c)(1)-(2) (emphasis added). Congress clearly chose not to alter the standard for injunctive relief, and fully embraced longstanding principles of equity for granting an injunction under the FTDA. The judiciary should give full "effect to that intent." *Sinclair Ref. Co. v. Atkinson*, 370 U.S. 195, 215 (1962).

The remedy for dilution under the FTDA is an injunction to prevent dilution *before* it turns into actual harm. 15 U.S.C. § 1125(c)(2). By the time actual economic harm could be proven, if it could be, injunctive relief would be insufficient as a remedy. An injunction would not adequately compensate an owner or restore the value of its famous mark. If proof of actual economic harm is required before giving the FTDA effect, the Act would serve merely to recognize, *ex post facto*, that a trademark owner had been injured. The injunctive remedy is intended to curtail and prevent loss to the owner of a famous mark without a showing of economic harm. Balancing the absence of need to prove actual injury, the statute denies the owner the right to seek damages unless proof of willful dilution is shown.

IV. INTERPRETATION OF THE FTDA SHOULD BE CONSISTENT WITH INTERNATIONAL TREATY OBLIGATIONS.

The FTDA was enacted to bring United States trademark law into compliance with international treaties that do not require an "actual harm" standard for trademark dilution. The FTDA fulfills promises of the United States in international treaties, including the Agreement on Trade Related Aspects of Intellectual Property Rights ("TRIPS"), by creating a new action for dilution of famous marks. H.R. REP. NO. 104-374, at 4, *reprinted in* 1995 U.S.C.C.A.N. 1029, 1031. In enacting the FTDA, Congress sought to protect famous marks in order to "be consistent with the terms of . . . TRIPS . . . " *Id.* In addition to complying with treaty obligations, Congress understood that U.S. trademark dilution protection of famous marks "would serve as a model for our trading partners overseas." 141 CONG. REC. S19312-01 (daily ed. Dec. 29, 1995) (statement of Sen. Leahy). Thus, Congress intended the FTDA to have an international role. H.R. REP. NO. 104-374, at 3, *reprinted in* 1996

U.S.C.C.A.N. 1029, 1030 (finding that the FTDA helps establish consistent international protection of famous marks).

A. *The Paris Convention and "Well-Known" Marks*

The Paris Convention for Protection of Industrial Property ("Paris Convention") was the first effort at internationally harmonized protection of intellectual property. Paris Convention for Protection of Industrial Property, Mar. 20, 1883, 21 U.S.T. 1583, 828 U.N.T.S. 305 (revised July 14, 1967). The Paris Convention prohibits each of the one hundred and forty member countries (including the U.S.) from providing less favorable treatment to a foreign trademark owner than the country provides its own citizens. Paris Convention, Art. 2(1). In addition, the Paris Convention establishes certain minimum standards for substantive intellectual property protection that each member country must incorporate into its national laws. Paris Convention, Arts. 4-11.

Since 1925, Article 6*bis* of the Paris Convention has prevented member countries from registering or allowing the use of already well-known trademarks. Under that provision, member countries must prohibit use or registration of any trademark "liable to create confusion, of a mark considered . . . to be well known in that country as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods." Paris Convention, Art. 6*bis*.

B. *TRIPS' Enhancement of the Paris Convention*

Although the international community increasingly valued protecting intellectual property, member countries failed to harmonize and enforce substantive provisions of the Paris Convention. The result was a "crisis in the Paris-Berne regime." Paul Edward Geller, *Intellectual Property in the Global Marketplace: Impact of TRIPS Dispute Settlements?*, 29 INT'L LAW 99, 100 (1995). In 1994, the Uruguay Round of the General Agreement on Tariffs and Trade ("GATT") TRIPS, and particularly Article 16(3) of TRIPS:

> Article 6bis of the Paris Convention (1967) shall apply, *mutatis mutandis*, to goods or services which are *not similar* to those in respect of which a trademark is registered, provided that use of that trademark in relation to those goods or services would indicate a connection between those goods or services and the owner of the registered trademarks and provided that the interests of the owner of the registered trademarks are *likely to be damaged by such use*. (Emphasis added).

Article 16(3) extends the protection of well-known marks from goods to services and, more importantly, from competing goods to non-competing goods where use indicates a connection to a registered, well-known trademark. In addition, Article 16(3) extends the obligation to prohibit the use of a well-known mark beyond the "liable to create confusion" standard of Article 6*bis* of the Paris Convention. Article 16(3) obligates member countries to prohibit the use of a well-known mark in situations where the owner of the well-known mark is *likely to be damaged*.

In other words, TRIPS establishes a likelihood of dilution standard for famous marks.

C. *The FTDA Provided Needed U.S. Leadership in Making TRIPS' Famous Mark Protection Effective*

From 1994 until enactment of the FTDA, the United States lacked adequate legal protection of well-known marks under TRIPS. 4 MCCARTHY § 29:36 ("because GATT is effected in the United States as an executive agreement . . . it needs legislation to come into force under U.S. intellectual property laws"). Under TRIPS, the United States was obligated to provide protection to foreign mark owners that it did not offer to its own citizens. Congress sought to remedy this situation by enacting the FTDA.

Other countries followed the lead of the United States. In his floor statement regarding the FTDA, Senator Hatch summarized the role of the United States:

> Mr. President, the GATT agreement includes a provision designed to provide dilution protection to famous marks. Thus, enactment of this bill will be consistent with the terms of the [GATT] agreement, as well as the Paris Convention, of which the United States is also a member. . . . Foreign countries are reluctant to change their laws to protect famous U.S. marks if the United States does not afford special protection for such marks.

141 CONG. REC. S19310 (daily ed. Dec. 29, 1995).

Thus, Congress enacted the FTDA not only to bring the United States into full compliance with TRIPS, but also to provide needed international leadership to ensure that famous marks receive heightened protection. Under the relevant provisions of TRIPS, famous mark owners are now protected against the *likelihood* of damage. The FTDA should be interpreted consistently with Congressional intent and United States treaty obligations.

V. THE PLAIN MEANING OF THE FTDA REQUIRES NO MORE PROOF OF DILUTION THAN SHOWING A LIKELIHOOD OF HARM.

The language of the FTDA manifests Congress's clear intent to prevent future and ongoing harm, rather than to impose monetary sanctions by wishful recoupment only after a particular dilutive use results in quantified, consummated economic injury. The plain statutory text requires only proof that the junior mark *contributes* to a reduction of a famous mark's *capacity*, or mental power, to identify and distinguish the mark owner's goods and services. Any perceptible reduction in that capacity constitutes the enjoinable conduct. Nowhere does the statutory language require a showing of actual economic injury.

Congress established a likelihood of dilution standard regarding a junior mark that "causes dilution of the distinctive quality of the famous mark." 15 U.S.C. § 1125(c)(1). The FTDA plainly states that "dilution" is "*the lessening of the capacity* of a famous mark to identify and distinguish goods or services." 15 U.S.C. § 1127 (emphasis added). The phrase "causes dilution" and the defined meaning of dilution as a "lessening of capacity" must be read together and in context to achieve Congress's true intent. *Gustafson v. Alloyd Co.*, 513 U.S. 561, 574-75 (1995) (the

"relevant phrase in the definitional part of a statute must be read in its entirety," and "must be understood against the background of what Congress was attempting to accomplish").

Petitioners' reading of the FTDA would permit an indefinite number of seemingly insignificant dilutive uses of a famous mark to eviscerate the distinctive quality of a mark. Congress could not have intended such result. *See Rowland v. California Men's Colony*, 506 U.S. 194, 200 (1993) ("the common mandate of statutory construction [is] to avoid absurd results"). Congress did not intend to require famous trademark owners to sit by and watch the value of their marks dwindle to nothing before being able to enjoin forseeably devaluing acts.

VI. THE LEGISLATIVE HISTORY OF THE FTDA SHOWS CONGRESS'S INTENT TO PROTECT FAMOUS MARKS ABSENT PROOF OF ACTUAL, QUANTIFIED HARM.

The legislative history of the FTDA also shows that the Act affords a famous mark dilution protection without a showing of actual injury. Imposing an actual injury standard would contravene the clear purpose of the FTDA. *See United States v. Am. Trucking Ass'ns, Inc.*, 310 U.S. 534, 543 (1940) (avoiding a statutory interpretation that would produce a futile result, when looking to the purpose of the act).

In July 1995, in a hearing before the House Subcommittee on Courts and Intellectual Property, Committee on the Judiciary, then Assistant Commissioner for Trademarks of the U.S. Patent and Trademark Office, Philip G. Hampton, II, representing the Executive Branch, testified that "the purpose of a dilution statute is to *prevent a*

weakening of a famous mark." In a prepared statement submitted for this same hearing, Assistant Commissioner Hampton said:

> Under . . . [the FTDA] it will not be necessary to establish that consumers will be likely to confuse the source of the goods or services, but, rather, that the capability of the mark to identify the [famous mark owner's] goods or services *will be diminished* by the other party's unauthorized use of the mark.

FTDA Hearing, page 38 (emphasis added).

Others participating in the hearing provided similar insight into the purpose of the FTDA and the standards of proof necessary to prove the gradual harm of dilution, both by tarnishment and by blurring. *See, e.g., id.* at 94 (stating that "[p]iggy-backing on the reputation of a famous trademark will, consequently, *gradually erode the goodwill* attached to the trademark, but it will also give the junior user an unfair, long lasting and valuable competitive advantage") (statement of James K. Baughman, Assistant General Counsel of the Campbell Soup Company) (emphasis added); *id.* at 109 (viewing "trademark dilution as a form of trespass on property, which should be subject to injunction, without reliance on its impact on the minds of the consuming public") (statement of Nils Victor Montan, Vice President and Senior Intellectual Property Counsel of Warner Brothers); *id.* at 129 (stating that "it no longer is appropriate to view truly distinctive marks as mere indications of source, subject to damage only when consumers are misled") (statement of Thomas E. Smith, Chair of the Section of Intellectual Property Law of the American Bar Association); *id.* at 161 (finding it "difficult or impossible to prove competitive injury" as a result of trademark dilution)

(statement of Jonathan E. Moskin, Partner, Pennie & Edmonds); *id.* at 208 (favoring passage of the FTDA because "[t]he injury for which [FTDA] protection is sought 'is the *gradual whittling away or dispersion* of the identity and hold upon the public mind of the mark or name by its use [even] on noncompeting goods'") (statement of Michael K. Kirk, Executive Director of AIPLA) (emphasis added) (quoting Schechter, 40 HARV. L. REV. at 825).

Three years after passing the FTDA, Congress enacted the Trademark Amendments Act of 1999 ("TAA"), 15 U.S.C. §§ 1052(f), 1063-64, 1092 (1999), to expressly allow for dilution claims before the Trademark Trial and Appeal Board ("TTAB") of the United States Patent and Trademark Office. *The TAA provides that the owner of a famous mark may assert dilution as a ground to oppose or cancel registration of a junior, dilutive mark "before dilution type damage has been suffered in the marketplace by the owner of a famous mark."* H.R. REP. NO. 106-250, at 5 - 6 (1999).

The TTAB has correctly interpreted the FTDA to require a likelihood of dilution standard. *Toro Co. v. ToroHead, Inc.*, 61 U.S.P.Q.2d 1164, 1174 (TTAB 2001) (stating that an actual dilution standard would "defeat the articulated purpose of the TAA"). Congress modified the FTDA to ensure that "[r]esolution of the dilution issue before the Board, as opposed to the Federal District Court, would result in . . . more timely and inexpensive resolution of the dilution issue, and will result in greater certainty in the application of this body of law." H.R. REP. NO. 106-250, at 5 (emphasis added). So that there is "certainty" in dilution cases, the standard for proving dilution before the TTAB

should be *the same as* legal proceedings in federal court—a uniform "likelihood of dilution" standard.[2]

It is the position of the United States as Amicus, however, that there should be two different standards: (1) likelihood of dilution before the TTAB; and (2) actual dilution before the courts. (U.S. Brief at 15-16.) Such a divergent application of dilution law invites doctrinal chaos. The purpose of the FTDA, as amended by the TAA, is to extend broad protection to famous marks against even incipient diminution of the distinctiveness of a famous mark through uncontrolled uses by third parties — even in the absence of actual or likely confusion, or of objective proof of measurable damage. This should be the uniform standard before the courts and the TTAB.

Congress did not intend the FTDA to omit remedies against likelihood of dilution. A requirement of showing actual harm caused by a single dilutive use would frustrate the purpose of the FTDA by imposing an unreasonable standard of proof. Mageiocca, *supra* at 1019 ("an actual dilution standard would impose an overwhelming barrier to dilution plaintiffs"). That some courts confess lack of understanding of the concept of "dilution," *Ringling Bros.*, 170 F.3d at 455, does not warrant imposing an unreasonable

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[2] The TTAB also has recognized that "an application based on an intent to use [a] mark in commerce satisfies the commerce requirement of the FTDA for proceedings before the Board." *Toro Co.*, 61 U.S.P.Q.2d at 1174. As already recognized by the TTAB, Congress clearly intended for a likelihood of dilution standard to apply in dilution attacks by famous mark owners against use-based trademark applications, 15 U.S.C. § 1051(a), as well as against intent-to-use applications. 15 U.S.C. § 1051(b). Applying an "actual dilution" standard with respect to intent-to-use-based applications litigated before the TTAB would be impossible since "intent-to-use" applications involve marks that are not yet in use, and thus incapable of producing quantified economic injury to the owner of a famous mark.

burden of proof upon owners of famous marks. The Sixth Circuit was correct in concluding that a likelihood of dilution standard "both tracks the language of the statute and follows more closely Congress's intent in enacting the FTDA." *Victoria's Secret*, 259 F.3d at 475.

CONCLUSION

For the foregoing reasons, the AIPLA urges the Court to maintain FTDA protection of famous trademarks, by affirming that proof of quantified harm to the economic value of a famous mark is not necessary for relief against acts of dilution under the FTDA.

Respectfully submitted,

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In the Supreme Court of the United States

VICTOR MOSELEY and CATHY MOSELEY, dba
VICTOR'S LITTLE SECRET, PETITIONERS

v.

V SECRET CATALOGUE, INC., ET AL.

ON WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

BRIEF OF THE AMERICAN BAR ASSOCIATION AS *AMICUS CURIAE* SUPPORTING RESPONDENTS

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STATEMENT OF INTEREST

The American Bar Association ("Association" or "ABA"), with over 408,000 members, is the leading national membership organization of the legal profession.[1] Its members come from each of the fifty states, the District of Columbia, and the U.S. territories. Membership is voluntary and includes attorneys in private practice, government service, corporate law departments and public interest organizations, as well as legislators, law professors, law students and non-lawyer associates in related fields.

The Association's Section of Intellectual Property Law is the largest organization of intellectual property lawyers in the world, with over 21,000 members. The Intellectual Property Law Section has long contributed to the development of the United States' legal system for protecting intellectual property rights.

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[1] Pursuant to Supreme Court Rule 37, this brief is being submitted with the consent of the parties. *Amicus Curiae*, ABA, states that this brief has not been authored in whole or in part by counsel for a party and that no person or entity, other than *Amicus*, its members, or its counsel, has made a monetary contribution to the preparation or submission of this brief. Neither this brief nor the decision to file it should be interpreted to reflect the views of any judicial member of the American Bar Association. No inference should be drawn that any member of the Judicial Division Council has participated in the adoption of or endorsement of the positions in this brief. This brief was not circulated to any member of the Judicial Division Council prior to filing.

Based on its support of the Federal Trademark Dilution Act,[2] 15 U.S.C. § 1125(c) ("FTDA"), and concern about the conflicting interpretations of the FTDA by the Courts of Appeals, the ABA's Section of Intellectual Property Law adopted the following resolution on April 15, 2002:

> that the American Bar Association supports interpretation and amendment of the federal Lanham Act to insure that questions of trademark dilution under that Act are uniformly resolved under the standard of whether the junior user's mark is likely to cause dilution of the senior user's mark, rather than under a standard of actual dilution.

The ABA Board of Governors adopted this resolution as ABA policy on June 22, 2002.

SUMMARY OF ARGUMENT

The question presented by the Petition for Writ of Certiorari, and the divergent opinions among the U.S. Courts of Appeals from which it developed, erroneously posits a dichotomy between actual economic harm on the one hand and likelihood of dilution on the other. The FTDA's plain language refutes that dichotomy. The FTDA provides that

[2] *See Trademarks Legislation: Hearings on H.R. 1295 Before the Subcomm. on Courts and Intellectual Property of the House Comm. on the Judiciary*, 105 Cong. (1995) (statement of Thomas E. Smith, Chair, ABA Section of Intellectual Property Law), 1995 WL 437438 (F.D.C.H.)

dilution claims can be sustained by showing that the defendant's actions reduce the present or future ability of the plaintiff's famous mark to identify and distinguish goods or services. No showing of additional harm is required.[3] The evidentiary standard should focus on trademark dilution considerations and avoid likelihood of confusion factors that properly belong to a trademark infringement analysis.[4]

[3] The opinion below, *V Secret Catalogue, Inc., v. Moseley*, 259 F.3d 464, 476-77 (6th Cir. 2001), held that proof of actual economic harm is not a prerequisite for FTDA claims, and that proof that harm is likely can support an FTDA claim. These holdings are correct and should be affirmed.

[4] The ABA believes the FTDA is unambiguous and thus should be interpreted in accordance with its plain language as set forth in the argument in this brief. The noted ABA policy contemplates, however, the alternative possibility that this Court might conclude otherwise and hold that a showing of economic harm is required to sustain a dilution claim. In that event, the ABA would be in a position to request Congress to amend the FTDA to maintain its effectiveness. The House Judiciary Committee Subcommittee on Courts and Intellectual Property held a hearing on February 14, 2002, and heard testimony on whether the FTDA should be amended, but there is currently no pending legislation seeking to do so.

ARGUMENT

A. The FTDA's definition of dilution as the lessening of a famous mark's capacity to identify and distinguish goods or services includes prospective harm and is not limited to actual economic harm.

The statutory language in question unambiguously identifies the proper evidentiary standard.[5] As this Court has consistently held, "[w]hen the words of a statute are unambiguous, . . . 'judicial inquiry is complete.'" *Barnhart v. Sigmon Coal Co., Inc.*, 122 S. Ct. 941, 956 (2002) (citations omitted). Section 1125(c)(1) provides that the plaintiff must prove the defendant makes commercial use in commerce of its mark,[6] causing dilution of the plaintiff's mark. Section 1127 defines dilution as "the lessening of the

[5] "The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark becomes famous and *causes dilution* of the distinctive quality of the [plaintiff's] mark . . . ." 15 U.S.C. § 1125(c)(1) (emphasis added). "The term 'dilution' means *the lessening of the capacity* of a famous mark to identify and distinguish goods or services." 15 U.S.C. § 1127 (emphasis added).

[6] The "commercial use" requirement is a significant limitation of the FTDA's scope. Furthermore, the FTDA expressly provides that the following activities are not actionable: fair use of a mark in comparative advertising; any noncommercial use of a mark; and use of a mark in any forms of news reporting and news commentary. *See* 15 U.S.C. § 1125(c)(4).

capacity of a famous mark to identify and distinguish goods or services." General usage dictionaries show that "capacity" means "the *potential* or suitability for holding, storing, or accommodating."[7] "Potential" means "something that *can develop or become actual.*"[8]

According to the FTDA's definition, the concept of potentiality, and thus of futurity, is inherent in the term "dilution." The plain statutory language shows that the FTDA is designed to prevent present or future harm to the plaintiff's mark caused by the defendant's current use of its mark.[9] Therefore, to

[7] *Webster's Ninth New Collegiate Dictionary*, at 203 (1990) (emphasis added). *Accord Merriam Webster's Collegiate Dictionary*, at 168 (1997).

[8] *Webster's Ninth New Collegiate Dictionary*, at 921 (1990) (emphasis added). *Accord Merriam Webster's Collegiate Dictionary*, at 912 (1997).

[9] The FTDA's remedies support this plain-language interpretation. The primary remedy for FTDA violations is injunctive relief. *See* 15 U.S.C. § 1125(c)(1). Monetary damages are available only upon a showing of willful intent. *See* 15 U.S.C. § 1125(c)(2). "[D]amages are considered compensative of past harm and *injunctions are preventative of future harm* . . . ." *Protective Closures Co., Inc., v. Clover Indus., Inc.*, 394 F.2d 809, 813 (2d Cir. 1968) (emphasis added). *See also Landgraf v. USI Film Prods.*, 511 U.S. 244, 282 (1994) (stating that "compensatory damages are quintessentially backward looking"); *Alpo Petfoods, Inc., v. Ralston Purina Co.*, 913 F.2d 958, 966 (D.C. Cir. 1990) (permanent injunction proper if defendant is likely to cause future harm). The legislative history of the FTDA also confirms this interpretation. "[D]ilution is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark." H.R. Rep. No. 104-374, at 2-3 (1995). Professor McCarthy, a leading commentator on U.S.

prove a trademark dilution claim under the FTDA, the plaintiff must show, at a minimum, that the defendant's commercial use in commerce of the defendant's mark reduces the future ability of the plaintiff's famous mark to identify and distinguish goods or services.[10] *See* 15 U.S.C. §§ 1125(c)(1) and 1127. Additional detriment to the plaintiff's mark need not have materialized at the time of the plaintiff's lawsuit and is not a required element of a dilution claim.[11]

As in every lawsuit, the plaintiff should be able to prove its case by presenting any competent evidence

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trademark law, has expressed a view consistent with the ABA's interpretation. *See* 4 *McCarthy on Trademarks*, § 24:90 at 24-148 to 24:149 and n.19 (4th ed. 2002).

[10] There is nothing unusual about the FTDA's protection against prospective harm to intangible legal rights such as trademarks. Copyright law operates in similar fashion: "Actual present harm need not be shown; such a requirement would leave the copyright holder with no defense against predictable damage. Nor is it necessary to show with certainty that future harm will result. What is necessary is a showing by a preponderance of the evidence that *some* meaningful likelihood of future harm exists." *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 451 (1984) (emphasis in original).

[11] Petitioner and *Amicus* United States argue that "likelihood of dilution in the future," Petitioner's Brief at 13, or an impairment of "'future' capacity," United States' Brief at 23, are not actionable. That argument is based on an incorrect reading of the FTDA that focuses unduly on the phrase "causes dilution" and pays insufficient attention to the definition of dilution. *See generally* Petitioner's Brief at 9-10, 21-23, 26; *Amicus* United States' Brief at 6-7, 13-14, 26-27.

probative of dilution,[12] such as the degree of fame and distinctiveness of the plaintiff's mark, the similarity of the plaintiff's and defendant's marks, the nature of the defendant's use of its mark, survey evidence, and economic harm to the plaintiff's mark.[13]

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[12] "[I]n any lawsuit, the plaintiff may prove his case by direct or circumstantial evidence. The trier of fact should consider all the evidence, giving it whatever weight or credence it deserves." *U.S. Postal Services Board of Governors v. Aikens*, 460 U.S. 711, 714 n.3 (1983) (citation omitted).

[13] It would be inadvisable to foreclose the courts from considering all relevant facts and circumstances that may be presented by particular cases. Edward S. Rogers, who in 1946 became the primary draftsman of the Lanham Act as chair of an ABA committee, wrote of unfair competition in 1914: "It was necessary, therefore, [for the infringer] in some way to circumvent the law, and the infringer, being as ingenious as he was unscrupulous, set his wits to the accomplishment of this task." EDWARD S. ROGERS, GOOD WILL, TRADE MARKS AND UNFAIR TRADING 126 (1914). *Accord People ex rel. Mosk v. Nat'l. Research Co.*, 201 Cal. App. 2d 765, 772 (Dist. Ct. App. 1962) (stating "it would be impossible to draft in advance detailed plans and specifications of all acts and conduct to be prohibited, since unfair or fraudulent business practices may run the gamut of human ingenuity and chicanery") (citation omitted).

B. The Circuit split arose from the courts' departures from the FTDA's plain language.

1. This Court should reject the "actual dilution" standard, and should allow consideration of all competent and relevant evidence that tends to prove dilution.

A split of opinion among certain U.S. Courts of Appeals has emerged over the meaning of the FTDA, cast in terms of "actual dilution" versus "likelihood of dilution." Neither phrase, however, appears in the FTDA. Framing the terms of the debate, *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Dev.*, 170 F.3d 449 (4th Cir. 1999), held the FTDA requires proof of "actual, consummated dilution," *id.* at 458, in order to prevent owners of famous marks from obtaining a "property-right-in-gross" in their marks, *id.* at 459. Thus far, only the Fifth Circuit has adopted *Ringling's* analysis. *See Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658, 671 (5th Cir. 2000).

Ringling held the FTDA "proscribes and provides a remedy only for actual, consummated dilution," 170 F.3d at 458, based on its finding that the word "capacity" means only "former capacity," but not present or future capacity, *id.* at 460-61.[14] Restricting the time dimension of "capacity" in this manner is not

[14] In support of its interpretation, the court cited the FTDA's use of "lessens" in the definitional section. *Id.* at 460-461. The statute, however, actually uses the gerund, "lessening," and is thus indeterminate with regard to time.

justified by the statutory language. It also ignores the concept of potentiality inherent in the word "capacity."[15] Based on its erroneous textual analysis, the court held an FTDA claim can be established only by proof of "actual economic harm to the famous mark's economic value." 170 F.3d at 461. Plaintiffs must show "an actual loss of revenues," or present "[a] skillfully constructed consumer survey . . . from which actual [economic] harm and cause might rationally be inferred." 170 F.3d at 465. Circumstantial evidence cannot constitute independent proof; it may be used only to "complement other proof." *Id.*

Ringling's evidentiary restrictions are improper.[16] Adopting the *Ringling* test would deprive plaintiffs of any realistic recourse under the FTDA, undermine the FTDA's ability to guide the behavior of actors in the marketplace, and compromise the salutary goal of early resolution of trademark disputes. The Second Circuit recognized these negative effects of the *Ringling* approach:

[15] *Ringling* also incorrectly divided dilution into a mark's "selling power" and its "'distinctiveness' as such," *id.* at 459, and claimed that the FTDA is concerned only with the former: "[T]he end harm at which [the FTDA] is aimed is a mark's selling power, not its 'distinctiveness' as such." *Id.* at 458. This division has no support in the statute and contradicts established principles of trademark law. *See* 2 *McCarthy on Trademarks*, § 15:5 at 15-9 (4th ed. 2002) (noting that a mark's distinctiveness *is* its "drawing power" and "commercial magnetism").

[16] *See supra* note 12. *See also Fed. Power Comm'n. v. Florida Power & Light Co.*, 404 U.S. 453, 469 (1972) (stating that "even in a criminal prosecution where the highest standards of proof are required, guilt may be shown by circumstantial evidence").

> To read the statute as suggested by the *Ringling* opinion would subject the senior [trademark] user to uncompensable injury. The statute could not be invoked until injury had occurred. And, because the statute provides only for an injunction and no damages (absent willfulness), *see* 15 U.S.C. § 1125(c)(2), such injury would never be compensated. The *Ringling* reading is also disastrously disadvantageous for the junior user. In many instances the junior user would wish to know whether it will be permitted to use a newly contemplated mark before the mark is launched rather than after. . . . If the statute is interpreted to mean that no adjudication can be made until the junior mark has been launched and has caused actual dilution, businesses in Nabisco's position will be unable to seek declaratory relief before going to market. They will be obligated to spend the huge sums involved in a product launch without the ability to seek prior judicial assurance that their mark will not be enjoined.

Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208, 224 (2d Cir. 1999). As *Ringling* acknowledges, 170 F.3d at 458-59, owners of famous marks would be substantially worse off under the FTDA than they were under the various state dilution statutes.[17]

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[17] Proof of actual economic harm is typically not required under state dilution statutes. *See Ringling*, 170 F.3d at 458-59.

2. The "likelihood of dilution" standard comports more closely with the FTDA.

The Second, Sixth and Seventh Circuits have rejected *Ringling's* interpretation of the FTDA, primarily because of their concern that *Ringling's* stringent evidentiary requirements would make the statute unworkable. *See Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 224-25 (2d Cir. 1999); *V Secret Catalogue, Inc., v. Moseley*, 259 F.3d 464, 476 (6th Cir. 2001); *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 468 (7th Cir. 2000). Beginning with *Nabisco*, these courts countered *Ringling's* "actual dilution" terminology by adopting a "likelihood of dilution" terminology and correspondingly lowering *Ringling's* evidentiary requirements. *See Nabisco*, 191 F.3d at 224-25; *Eli Lilly*, 233 F.3d at 468; *Moseley*, 259 F.3d at 476-77.

Nabisco correctly rejected *Ringling's* heightened evidentiary requirements and found the prohibition of circumstantial evidence to be "arbitrary and unwarranted." 191 F.3d at 223. It did not, however, refute the cardinal mistakes of statutory interpretation that led *Ringling* to its wrong conclusion. Instead, *Nabisco* incorrectly conceded that *Ringling* had the literal meaning of the statute on its side and posited a (non-existent) conflict between that literal meaning and the statute's intent:

> We recognize that the language of the statute gives some support to [*Ringling's*] reading . . . . In our view, however, [*Ringling's*] reading depends on excessive literalism to defeat the intent of the

> statute. Notwithstanding the use of the present tense in 'causes dilution,' it seems plausibly within Congress's meaning to understand the statute as intending to provide for an injunction to prevent the harm before it occurs.

191 F.3d at 224. To prevent the undesirable consequences associated with *Ringling's* erroneous interpretation, *Nabisco* adopted what it called the "likelihood of dilution" standard, which comports substantively with the FTDA to the extent it can be met by showing that defendant's conduct reduces the future ability of the plaintiff's famous mark to identify and distinguish goods or services.[18] As phrased, however, the *Nabisco* standard disregards the fact that the FTDA already defines dilution as "the lessening of the *capacity* of a famous mark,"[19] making the addition of "likelihood" language superfluous. *Eli Lilly* and *Moseley* subsequently followed *Nabisco's*, rather than *Ringling's*, interpretation of the FTDA.[20]

C. Likelihood of confusion factors should not be used in a dilution test.

The *Nabisco* test, which was adapted from *Mead Data Central, Inc. v. Toyota Motor Sales, U.S.A., Inc.*, 875 F.2d 1026, 1035 (2d Cir. 1989), incorrectly applies traditional likelihood of confusion factors used in determining trademark infringement to a trademark

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[18] *See* 191 F.3d at 217-23.

[19] 15 U.S.C. § 1127 (emphasis added).

[20] *See Eli Lilly*, 233 F.3d at 468; *Moseley*, 259 F.3d at 475.

dilution case, thus conflating these separate and distinct causes of action. *See, e.g., Eli Lilly*, 233 F.3d at 468-69.[21] *Eli Lilly* pruned *Nabisco's* dilution test of its confusion factors, leaving only the two *Nabisco* factors that are relevant to dilution, namely, the fame of the senior mark and the similarity of the senior and junior marks. *See* 233 F.3d at 469. While these two factors are likely to be pivotal in any dilution analysis under the FTDA, other facts may also be probative. *See* discussion *supra*. This Court should therefore clarify that the finder of fact may consider any evidence probative of dilution as may be appropriate under the circumstances of the case.

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[21] *See also* H.R. Rep. No. 104-374, at 2-3 (1995) ("[D]ilution is an injury that differs materially from that arising out of the orthodox confusion."); 4 *McCarthy on Trademarks*, § 24:90 at 24-145 (4th ed. 2002) (stating that "[w]hile traditional trademark law rests primarily on a policy of protection of customers from mistake and deception . . . [a]nti-dilution law has a strong resemblance, not to the law of consumer protection, but to the law of trespass").

CONCLUSION

This Court should affirm the opinion below to the extent it held trademark dilution can be established by evidence, direct or circumstantial, that the defendant's commercial use of its mark in commerce reduces the present or future ability of the plaintiff's famous mark to identify and distinguish goods or services, regardless of the presence or absence of actual economic harm to the value of the plaintiff's mark.

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IN THE
Supreme Court of the United States

VICTOR MOSELEY AND CATHY MOSELEY
d/b/a VICTOR'S LITTLE SECRET,

Petitioners,

v.

V SECRET CATALOGUE, INC.,
VICTORIA'S SECRET STORES, INC., and
VICTORIA'S SECRET CATALOGUE, INC.,

Respondents.

On Writ of Certiorari to the United States Court of Appeals for the Sixth Circuit

BRIEF OF AMICUS CURIAE THE INTERNATIONAL TRADEMARK ASSOCIATION IN SUPPORT OF RESPONDENTS

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INTRODUCTION

The International Trademark Association (INTA),[1] having obtained consent of the parties pursuant to Rule 37.3 of the Rules of this Court,[2] files this brief as amicus curiae. INTA submits that the Court of Appeals below correctly affirmed an injunction under the Federal Trademark Dilution Act (FTDA) to prevent loss of trademark distinctiveness where, irrespective of actual harm, there is substantial association between a junior use and a famous mark.

STATEMENT OF INTEREST OF THE AMICUS CURIAE

INTA is a not-for-profit organization of over 4,100 members, including trademark owners, law firms, advertising agencies, packaging companies and professional associations from the United States and over 150 other countries. All share goals of emphasizing the importance of trademarks, and of promoting an understanding of the role marks play in informed consumer decisions, effective commerce, and fair competition. INTA members frequently participate in trademark litigation, and are thus interested in the development of clear principles of trademark law. INTA has substantial expertise in trademark law and has participated as amicus curiae in cases involving important trademark issues.[3]

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[1] This brief was not authored, in whole or in part, by counsel to a party and no contribution to its preparation or submission was made by any person or entity other than INTA or its counsel. Respondents' parent, Limited Brands, is a member of INTA; petitioners are not. The law firms representing both petitioners and respondents are associate members of INTA, but have not participated in the decision to submit this brief, in its preparation, or in its submission.

[2] The written consents have been filed with the Clerk with this brief.

[3] Cases in which INTA has filed as amicus include: *TrafFix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23 (2001); *Wal-Mart Stores, Inc. v. Samara Bros.*, 529 U.S. 205 (2000); *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159 (1995); *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763 (1992); and *K Mart Corp. v. Cartier, Inc.*, 486 U.S. 281 (1988).

INTA was founded in 1878 as the United States Trademark Association, in part to support passage of a federal trademark act after invalidation on constitutional grounds of the nation's first trademark law. INTA has been active in providing assistance to Congress in connection with trademark legislation, including the legislation at issue. *See* Trademark Review Commission of the United States Trademark Association (Trademark Review Commission), *Report and Recommendations to USTA President and Board of Directors*, 77 TRADEMARK REP. 375, 457 (1988).

The question on which certiorari was granted provides the Court with an opportunity to clarify circumstances under which federal protection against dilution should be afforded to owners of famous and distinctive marks for investments in their marks and the substantial benefits they afford to consumers. Two federal circuits have held that owners proceeding under the FTDA must adduce proof of actual harm to be entitled to relief.[4] Three circuits, including the Court of Appeals below, have held that relief may lie under the FTDA if the "distinctiveness of the mark is diminished."[5]

SUMMARY OF THE ARGUMENT

Section 43(c) of the Lanham Act, 15 U.S.C. § 1125(c) (2000), provides that the "[t]he owner of a famous mark shall be entitled … to an injunction against another person's commercial use of a mark … [that] causes dilution of the distinctive quality of the famous mark." The Court of Appeals for the Fourth Circuit reads the section to require "actual harm to … economic value": *i.e.*, "an actual lessening of the [famous] mark's selling power, expressed as 'its capacity to identify

[4] *See Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658 (5th Cir. 2000); *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Development*, 170 F.3d 449 (4th Cir. 1999).

[5] *See V Secret Catalogue, Inc. v. Moseley*, 259 F.3d 464 (6th Cir. 2001); *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456 (7th Cir. 2000); *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208 (2d Cir. 1999).

and distinguish goods or services.'" *Ringling Bros. v. Utah*, 170 F.3d at 453, 458.

As the Fourth Circuit has noted, section 43(c) does not contain the phrase "likelihood of dilution" that appeared in many state statutes at the time the FTDA was enacted. Of greater import, section 43(c) does not refer to "actual harm" or to an "actual lessening" of selling power – and none of the principles of statutory construction that petitioners espouse mandate adding those words to give plain meaning to the law. To the contrary, as the Court of Appeals below observed, "we find it highly unlikely that Congress would have intended to create [a dilution remedy] but then make its proof effectively unavailable." *V Secret v. Moseley*, 259 F.3d at 476.

Section 43(c) must thus be more carefully read together with section 45, 15 U.S.C. § 1127 (2000), defining dilution as the "lessening of the capacity of a famous mark to identify and distinguish goods." As Congress noted in enacting the FTDA, BUICK aspirin is "actionable" under the statute because, instantly, BUICK would no longer uniquely "identify" fine automobiles – its "capacity" to "distinguish" would be "lessen[ed]." Without context, consumers could not know to which of two different products a use of BUICK referred.

By insisting on proof of actual harm, the Fourth Circuit fails to appreciate both: (i) the evolved meaning of the word "dilution" itself, particularly as used in relationship to the "distinctive quality of" a mark; and (ii) the inherent logic of the Lanham Act. Under each, the "capacity of a famous mark to identify" is inherently "lessen[ed]" (to the detriment of owners **and consumers**) when the mark is substantially associated with a junior use. Dilution "differs materially from … orthodox confusion"; it is a separate legal concept in which both likely and, ultimately, actual harm are subsumed.

Finally, petitioners invoke throughout their brief the "evils" of "property rights in gross" in marks, and assert that

dilution has no precursor in the law. As to the first, they refer to obsolete economic principles, rejected by Congress and this Court – both of which appreciate that trademarks enhance consumer efficiency and promote quality. As to the second, they ignore proscriptions against misappropriation that buttress dilution's basic tenets.

ARGUMENT

I. The Meaning of the Word Dilution

A. Historical Origins

The concept of dilution finds its well-spring in a 1927 article by Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813 (1927), in which the author set forth a staircase of trademark propositions, rising from the generally accepted to the then theoretical:

1. to merit protection, a trademark owner in the 1920s was required to show "concrete injury," usually in the form of a "diversion of custom," *id.* at 821;
2. Schechter deemed such a limitation appropriate for "one who takes a [common] phrase like 'Blue Ribbon' or 'Gold Medal' [and thus must] be content with [relief only in] that special field which he labels with so undistinctive a name," *id* at 827;
3. in Schechter's view, however, "arbitrary, coined or fanciful marks[, added to, not withdrawn from the vocabulary,] should be given a much broader degree of protection," *id.* at 828-29;
4. many such marks, *e.g.*, KODAK, "imprint[] upon the public mind an anonymous … guarantee of satisfaction," and thus serve to "sell" the goods on which they are used, *id.* at 819;
5. "self-evidently, [then only to Schechter,] the more distinctive the mark, the more effective is its selling power," *id.* at 819; and
6. "[t]he real injury [from a junior use of a singular mark is thus] the gradual whittling away … of the identity

> and hold upon the public mind of the name…. The more distinctive or unique the mark, the deeper is its impress upon the public consciousness, and the greater its need for protection against vitiation or dissociation from the particular product in connection with which it has been used." *Id.* at 825.

As Schechter concluded:

> [T]he value of the modern trademark lies in its selling power [which] depends for its psychological hold upon the public, not merely upon the merit of the goods upon which it is used, but equally upon its own … singularity; ... such … singularity is vitiated or impaired by its use [by another]; and ... the degree of its protection depends in turn upon the extent to which, through the efforts or ingenuity of its owner, it is actually unique and different from other marks.

Id. at 831. Under Schechter's incipient construct, dilution begins when uniqueness begins to end. The concept, to Schechter, was a "gradual" phenomenon, not one that immediately flowered into actual harm. *Id.* at 829-30.

B. Evolution of the Doctrine

Introduced into a hostile climate,[6] dilution did not attract immediate support. At the state level, it was not legislatively endorsed for twenty years,[7] and various courts imposed "extra-textual" conditions for relief: *e.g.*, in an early ruling as to the New York statute, which specifically dispensed with the need to prove likely confusion, a district court nonetheless insisted on such a showing, and added a requirement that there be "unfair intent on the defendant's part."[8]

Nonetheless, traces of Schechter's theory gradually

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[6] *See* the discussion of "Harvard school economics" in § III *infra*.

[7] The first statute now appears as MASS. GEN. LAWS ch. 110B, § 112 (West 2001) .

[8] *Haviland & Co. v. Johann Haviland China Corp.*, 269 F. Supp. 928, 957 (S.D.N.Y. 1967).

permeated the law. For example, whereas Schechter posited in 1927 that "the true functions of the trademark" are to create "in the public consciousness an impression or **symbol of ... excellence**,"[9] Judge Learned Hand wrote in 1928 that:

> [I]t has of recent years been recognized that a merchant may have a sufficient economic interest in the use of his mark outside the field of his own exploitation to justify interposition by a court. His mark is his **authentic seal**; ... it carries his name for good or ill. If another uses it, he **borrows the owner's reputation**, whose quality no longer lies within his own control. This is an injury, even though the borrower does not tarnish it, or divert any sales by its use; for a reputation, like a face, is the symbol of its ... creator, and another can use it only as a mask.[10]

In a like expression of trademark benefits that extend beyond identifying source, Justice Frankfurter observed in 1942 that:

> The protection of trade-marks is the law's recognition of the psychological function of symbols. A trademark is a merchandising short-cut which ... [t]he owner ...exploits ... by making every effort to impregnate the atmosphere of the market with the **drawing power of a congenial symbol**. Whatever the means employed, the aim is the same – to convey through the mark, in the minds of customers, the desirability of the commodity upon which it appears. Once this is attained, the trade-mark owner has something of value. If another **poaches upon the commercial magnetism** of the symbol he has created, the owner can obtain legal redress.[11]

In the 1960s and 1970s, courts also began to focus more on the significance of brand strength, an ingredient that, combined with singularity, is an essential predicate to any claim for dilution protection:[12]

> a mark ... strong because of its fame or its uniqueness, is **more likely to be remembered** and more likely to be associated in the public mind with a greater breadth of products..., than is a mark that is weak because relatively unknown or very like similar marks or very like the name of the product.[13]

Similarly, Schechter's affinity for "arbitrary, coined or fanciful marks" was judicially adopted in *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 11 (2d Cir. 1976), and in 1977, dilution as formulated by Schechter received a ringing endorsement from the New York Court of Appeals in *Allied Maintenance Corp. v. Allied Mechanical Trades, Inc.*, 369 N.E.2d 1162 (N.Y. Ct. App. 1977):

> The evil [is] ... a cancer-like growth of dissimilar products ... which feeds upon the business reputation of an established distinctive trade-mark or name.... The harm [dilution] is designed to prevent is the gradual whittling away of a firm's distinctive trade-mark or name. It is not difficult to imagine the possible effect which the **proliferation** of various noncompetitive businesses utilizing the name Tiffany's would have upon the public's association of the name Tiffany's solely with fine jewelry. The **ultimate effect** has been appropriately termed dilution.

Id. at 1165-66 (emphasis added) (citations omitted).[14]

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[9] 40 HARV. L. REV. at 818, 829 (emphasis added).

[10] *Yale Elec. Corp. v. Robertson*, 26 F.2d 972, 974 (2d Cir. 1928) (emphasis added).

[11] *Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co.*, 316 U.S. 203, 205 (1942) (emphasis added).

[12] A mark circulating "only in a limited market" is unlikely "to be associated generally" with a mark "circulating elsewhere." *Mead Data Central v. Toyota Motor Sales, USA, Inc.*, 875 F.2d 1026, 1031 (2d Cir. 1989). *See also Avery Dennison Corp. v. Sumpton*, 189 F.3d 868, 875 (9th Cir. 1999) (dilution limited to marks with "powerful consumer associations").

[13] *James Burrough Ltd. v. Sign of Beefeater, Inc.*, 540 F.2d 266, 276 (7th Cir. 1976) (emphasis added).

[14] For the "ultimate effect," *see* Jacob Jacoby, *The Psychological Foundations of Trademark Law: Secondary Meaning, Genericism, Fame,*

Finally, in 1987, dilution theory was adopted as to the OLYMPIC mark in *San Francisco Arts & Athletics, Inc. v. U.S. Olympic Committee*, 483 U.S. 522 (1987):

> Th[e] legislative history [of the Amateur Sports Act] demonstrates that Congress intended to provide the USOC with exclusive control of the use of the word "Olympic" without regard to whether an unauthorized use … tends to cause confusion.

Id. at 530. As its rationale, the Court observed, partially in Schechter's words, that when a mark:

> acquires value "as the result of organization and the expenditure of labor, skill, and money" by an entity, that entity constitutionally may obtain a limited property right in the word. . . . Because Congress reasonably could conclude that the USOC has distinguished the word "Olympic" through its own efforts, Congress' decision to grant the USOC a limited property right in the word "Olympic" falls within the scope of trademark law protection, and thus within constitutional bounds. . . . [Congress] also could determine that unauthorized uses, even if not confusing, nevertheless may harm the USOC by **lessening the distinctiveness and thus the commercial value** of the marks. See Schechter, The Rational Basis of Trademark Protection, 40 Harv. L. Rev. [at 825] (one injury to a trademark owner may be "the gradual whittling away … of the mark").

Id. at 532-39 (emphasis added) (quoting *Int'l News Serv. v. Assoc. Press*, 248 U.S. 215 (1918) and *Zacchini v. Scripps-Howard Broad. Co.*, 433 U.S. 562 (1977)).

Dilution is thus hardly a "radical" remedy. Schechter's concepts, indeed, are now fixed in trademark wisdom:

> If the owner of KODAK should permit its use by others on washing powders … or cosmetics, or if The Coca-Cola Company should permit … COKE to be used for rain coats … or jewelry not of its manufacture, it would not take long for even these giants in the trademark world to be reduced to pigmy size.

Amstar Corp. v. Domino's Pizza, Inc., 615 F.2d 252, 259 (5th Cir. 1980) (internal quotation marks omitted).

C. Evolution of the FTDA

In 1987, the Trademark Review Commission, noting the language in *Mishawaka* and *U.S. Olympic Committee*, reported that "positive decisions on dilution laws in recent years make adoption of a federal law timely," 77 TRADEMARK REP. at 456, and proposed language similar to that now appearing in the Lanham Act: *e.g.*, that a "famous" mark be afforded protection against use that "causes dilution of [its] distinctive quality" – *i.e.*, that "lessen[s its] capacity … to identify and distinguish goods." *Id.* at 458. Only in one **substantive** respect did the Commission reflect an intent to depart from INTA's then Model State Trademark Act:[15]

Confusion and Dilution, 91 TRADEMARK REP. 1013, 1049 (2001):

> Cognitive psychological research on what has been termed the "fan effect" … supports the concept of dilution. Think of [a] hub containing the name Tiffany joined by a spoke to a circle containing the information "an up-scale retailer of silver, crystal and jewelry on New York's Fifth Avenue"…. The "fan" associated with this famous mark is described as having a single spoke.
>
> Now consider that, sometime later, the consumer attaches to this same hub (the name Tiffany) a second spoke leading to another circle, this one containing the information "an up-scale furrier." This "fan" is described as having a spoke of two. Suppose, further, the same hub later acquires a third spoke leading to the information "a retailer of fine inlaid wood floors."
>
> Considerable psychological research reveals that as the number of spokes increases, the speed and cognitive ease with which the individual is able to connect the hub (Tiffany) with the original information ("an up-scale retailer of silver, crystal and jewelry on New York's Fifth Avenue") decreases. This is the essence of … "the lessening of the capacity of a famous mark to identify goods…."

Actual harm from the first use would be elusive, but it, and the "ultimate effect" of multiple uses, would lessen Tiffany's uniqueness and value.

[15] As of 1987, the Model Act provided that "[l]ikelihood of injury to

whereas the Model Act encompassed the "distinctive quality" of **any** mark, the Commission limited the FTDA's reach only to marks in "substantially exclusive use and … well known throughout a substantial portion of the United States." *Id.* at 459.[16] In **all other respects**, the Commission resolved to "augment[]" state dilution laws to the end that "the extraordinarily valuable 'commercial magnetism' inherent in distinctive trademarks … be protected from commercial incursion." *Id.* at 455-56.

D. Legislative History of Section 43(c)

Whether as a consequence of First Amendment concerns, or "horse-trading,"[17] the FTDA failed enactment in 1987, and (apart from being incorporated in a revised Model Act[18]) the proposal lay dormant for eight years. In 1995, however, with provisions to address free speech interests,[19] dilution's proponents pressed again for added protection of famous, unique marks, and succeeded.

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business reputation or of dilution of the distinctive quality of a mark … shall be a ground for injunctive relief notwithstanding the absence of competition between the parties or the absence of confusion…." Trademark Review Commission, 77 TRADEMARK REP. at 454.

[16] For the most recent interpretation of the FTDA's limited scope, *see Toro Co. v. ToroHead, Inc.*, 61 U.S.P.Q.2d 1164, 1180-81 (T.T.A.B. 2001).

[17] Jerome Gilson, *A Federal Dilution Statute: Is It Time?*, 83 TRADEMARK REP. 108, 114-15 (1993).

[18] In 1992, the Model Act was amended to parallel the proposed FTDA: "The owner of a [famous] mark … shall be entitled … to an injunction against another's use of a mark … which causes dilution of the distinctive quality of the owner's mark…."

[19] Section 43(c)(4) provides that the following shall not be actionable:

> (A) Fair use of a famous mark by another person in comparative commercial advertising or promotion…
>
> (B) Noncommercial use of a mark;
>
> (C) All forms of news reporting and news commentary.

15 U.S.C. § 1125(c)(4) (2000). Courts routinely interpret dilution statutes to protect free speech interests. *See, e.g., Stop the Olympic Prison v. United States Olympic Committee*, 489 F. Supp. 1112 (S.D.N.Y. 1980).

Although concise, the legislative history of section 43(c) is clear. In proscribing use that "causes dilution" by "lessening" the capacity to identify, Congress prescribed a remedy along New York/*Allied* lines:

> The protection of marks from dilution differs from the protection accorded marks from … infringement. Dilution does not rely upon the standard test of infringement, that is, likelihood of confusion…. Rather, it applies when the unauthorized use of a famous mark reduces the public's perception that the mark signifies something unique, singular, or particular. As summarized in one decision:
>
> > Dilution is an injury that differs materially from that arising out of the orthodox confusion. Even in the absence of confusion, the potency of a mark may be debilitated by another's use. This is the essence of dilution. Confusion leads to **immediate injury**, while dilution is an infection, which if allowed to spread, will **inevitably destroy** the advertising value of the mark.[20]

Id. at 1030 (emphasis added). The case "summarized" was *Mortellito v. Nina of California, Inc.*, 335 F. Supp. 1288 (S.D.N.Y. 1972), and Congress specifically noted, as had the New York legislature,[21] that "DUPONT shoes, BUICK aspirin and KODAK pianos would be actionable under this legislation" – not because of "actual harm," but because such uses lessen the "capacity" of the mark to identify goods, and reduce "the public's perception that the mark signifies something … singular." KODAK pianos, incipiently, "causes dilution of the distinctive quality of [KODAK]" for film.

E. Historical Summary

To repeat, dilution is not a radical idea. It is rather an evolved expression of economic and common sense:

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[20] H. R. REP. NO. 104-374 (1995), *reprinted in* 1995 U.S.C.C.A.N. 1029.

[21] *See Mead v. Toyota*, 875 F.2d at 1031.

> A [famous] trademark seeks to economize on information costs by providing a **compact, memorable, and unambiguous** identifier of a product. The economy is less when, because the trademark has **other associations**, a person seeing it must think for a moment before recognizing it as the mark of the product.

Richard A. Posner, *When Is Parody Fair Use?*, 21 J. LEGAL STUD. 67, 75 (1992) (emphasis added).

To illustrate, if a junior user promotes SONY as a trademark for bleach:

> the consumer would know that there are two companies using the Sony brand. One markets bleach and one markets consumer electronics. The issue is whether, at the time of exposure to the brand name, there is sufficient cuing whereby the individual would know perceptually to which of the two Sony products the word Sony is referring.[22]

The instant result would be "dissonance," like that induced by "selling cat food under the name 'Romanoff,'"[23] and SONY would "bring to mind two products, not one."[24] On hearing the word, consumers could not register an immediate impression favorable to the electronics firm, but would have to await context to ascertain if another commodity was being touted. SONY would lose "advertising value."[25]

In 1927, Schechter's proposition that "the more distinctive the mark, the more effective its selling power" was theoretical. Today, it is marketing mantra that, for both owners **and consumers**: (i) "brands with distinctive personalities have advantages so long as the personality remains

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[22] Alexander F. Simonson, *How and When Do Trademarks Dilute: A Behavioral Framework to Judge "Likelihood" of Dilution*, 83 TRADEMARK REP. 149, 156 (1993).

[23] *Exxon Corp. v. Exxene Corp.*, 696 F.2d 544, 550 (7th Cir. 1982).

[24] *Mattel, Inc. v. MCA Records, Inc.*, 2002 U.S. App. LEXIS 14821, at *19 (9th Cir. 2002) (posing TYLENOL snowboards).

[25] *See Dreyfus Fund Inc. v. Royal Bank of Canada*, 525 F. Supp. 1108, 1115 (S.D.N.Y. 1981).

distinctive," Gregory S. Carpenter, Rashi Glazer & Kent Nakamoto, *Market-Driving Strategies, in* KELLOGG ON MARKETING 114 (2000); and (ii) "a strong, coherent brand identity and position is easier to remember." DAVID A. AAKER, BUILDING STRONG BRANDS 203 (1996).

Indeed, "the signal value of [any] stimulus is directly related to its singularity; … a unique signal can carry more information; and … with multiple uses, a signal's strength gradually fades into background white noise."[26] As even dilution's critics note: "the greater the number of associations a word has (the less distinctive it is) the more difficult it is for the individual initially to encode the word in memory or later to recall the word."[27]

"**[O]ther associations,**" as Judge Posner notes, are thus the **essence** of dilution.[28] The Lanham Act does not require "proof of an actual lessening of the strength of the famous mark: only that there is a lessening of the capacity … of the mark to be strong as a commercial … identifier."[29] As the DUPONT, BUICK and KODAK examples illustrate, **other associations** inherently lessen a famous mark's capacity "to identify and distinguish goods." Dilution, indeed, is now an empirically sustainable fact.[30]

From the history of the dilution concept, therefore, six irrefutable propositions emerge:

1. The concept of "likelihood" is subsumed in dilution's definition by Schechter and by the New York

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[26] Jerre B. Swann, *Dilution Redefined for the Year 2002*, 92 TRADEMARK REP. 585, 612 (2002).

[27] Jonathon Moskin, *Dilution or Delusion: Rational Limits of Trademark Protection*, 83 TRADEMARK REP. 122, 136 (1993) (citing Joan Meyers-Levy, *The Influence of a Brand Name's Association Set Size and Word Frequency on Brand Memory*, 16 J. CONSUMER RES. 197, 198 (1989)).

[28] A junior use must "conjure an association with the senior." *Nabisco v. PF Brands*, 191 F.3d at 218.

[29] 4 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 24:94 (4th ed. 1996).

[30] *See* Swann, *Dilution 2002*, 92 TRADEMARK REP. at 622-24.

Court of Appeals in *Allied*.

2. Both were concerned with the "whittling away" of distinctiveness; they focused not on immediate harm from another's use, but on the "ultimate affect" of accumulated uses.[31]

3. In proposing a prohibition of uses that "cause[] dilution of the distinctive quality" of a famous mark,[32] neither INTA nor Congress[33] intended to revert to a "concrete injury" standard.

4. Rather, in ultimately adopting INTA's words, Congress aligned itself with the New York model.

5. Another's use does not itself necessarily cause "immediate injury"; rather, it initiates a "spread[ing infection that] ... inevitably" destroys the value of the mark. KODAK pianos would thus "be actionable," not because of a "concrete injury" that impacted sales, but because the owner of KODAK for film is entitled to preserve its unique "aura."[34]

6. Another's **associated** use necessarily "reduces the public's perception that the mark signifies something unique":[35] "another person's commercial use of a [famous] mark [inherently] causes dilution" by "lessening" the mark's distinctive quality.

The Solicitor General is thus correct in noting that "when the BUICK mark is used to identify aspirin, it is reasonable to infer that some number of consumers would associate the BUICK mark not only with cars, but with aspirin,

[31] 369 N.E.2d at 1166. In thus suggesting that no state has "employed Schechter's formulation," both the Petitioners, Petitioners' Brief at 33, and the Fourth Circuit, 170 F.3d at 454, are in error.

[32] Trademark Review Commission, 77 TRADEMARK REP. at 458.

[33] If Congress is charged with knowing that "likelihood" appeared in the Model Act, it must also have known that INTA, the author of both that act and of the language "causes dilution," intended to "augment" the dilution concept, not to confine it to instances of "actual harm."

[34] H.R. REP. NO. 104-373, at 3, 1995 U.S.C.C.A.N. at 1030.

[35] *Id.*, 1995 U.S.C.C.A.N. at 1030.

lessening [its] capacity ... to serve as and **exclusive identifier** of cars." Brief for the United States at 20 (emphasis added). The Solicitor General is also correct in noting that:

> Marks that have substantial similarities to a famous mark may also have substantial differences, and those differences may lead consumers to view the marks as two distinct marks that stand for two entirely different sets of goods and services. When that happens, the famous mark retains the same capacity to identify....

Id. at 18. **Substantial** association is dilution's *sine qua non*.[36]

The Solicitor General strays, however, in insisting on surveys that show **more** than a diminution of a famous mark's uniqueness – in demanding, *e.g.*, surveys that prove an actual, immediate impact on the brand's reputation or the recall of its attributes. *Id.* at 22-23. While there is strong empirical evidence that the speed and accuracy of brand information retrieval is impaired when a junior use is associated with a senior,[37] dilution is triggered by association **alone**: "The distinctiveness of the mark is diminished if the mark no longer brings to mind the senior user **alone**."[38]

KODAK pianos, for example, may not instantly impede the reputation or recall of KODAK for film, or result in attribute overlapping (consumers thinking of music on seeing KODAK for film).[39] KODAK pianos nonetheless would be "actionable" because it would instantly lessen the mark's distinctiveness (its **singularity**) for film, and KODAK would be more exposed to **accumulated** uses for "washing powders

[36] *Pharmacia Corp. v. Alcon Labs., Inc.*, 201 F. Supp. 2d 335, 380-81 (D.N.J. 2002) (14% association insufficient).

[37] Maureen Morrin & Jacob Jacoby, *Trademark Dilution: Empirical Measures for Elusive Concepts*, 19 J. PUB. POL'Y & MKTG. 265 (2000).

[38] *Mattel v. MCA*, 2002 U.S. App. LEXIS 14821, at *17 (emphasis added).

[39] "Blurring of the mental associations evoked by a mark [is] not easily sampled by consumer surveys." RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 25 cmt. (f).

[and] cosmetics," further eroding its "capacity to identify."[40]

An "actual-impact/harm-survey" imperative would thus introduce *ex post* what the Solicitor General concedes *ex ante* is unnecessary.[41] Rather, proof of dilution as a consequence of **substantial** association may take many forms:

1. It may be obvious, as in the BUICK aspirin example.
2. It may be admitted, as in *Eli Lilly v. Natural Answers*, 233 F.3d at 460, where HERBOZAC was "chosen to call to mind the function" of PROZAC.
3. It may flow from a rigorous examination of market factors, as occurred below and in *Nabisco v. PF Brands,* 191 F.3d at 217-22.
4. It may be aided by an association test ("What other marks, if any, does this mark bring to mind?").[42]

[40] As noted by a member of the Trademark Review Commission, "[t]he theory of dilution by blurring is that if one small user can blur the sharp focus of the famous mark to **uniquely signify** one source, then another and another ... will do so. Like being stung by a hundred bees, significant injury is caused by the cumulative effect, not by just one. 4 MCCARTHY, TRADEMARKS, § 24:94 (emphasis added).

[41] Worse, because the format of such surveys inherently juxtaposes two marks, they may result in a finding of association that, in the real world, does not exist. A researcher, for example, can expose a control cell of respondents to a little-known mark, ACCEL for computers; test the speed and accuracy of its recall; then expose a test cell of respondents to both ACCEL for computers and ACCEL for jeans; and establish that there is more interference than would arise if AVON for cosmetics is exposed to AVON for health spas. Morrin & Jacoby, *Dilution*, 19 J. PUB. POL'Y & MKTG. at 273. "For dilution purposes, however, Accel does not possess fame and 'distinctiveness' vis-à-vis other marks.... There is no *abstract association* between Accel for computers and Accel for jeans, only *artificial association* created in a research environment." Swann, *Dilution 2002*, 92 TRADEMARK REP. at 619. If, on the other hand, marks are not juxtaposed in the study, the Solicitor General's formats would require the junior use to be of such intensity and duration in the market as to have actually altered the senior – a condition at odds with the incipiency concept.

[42] Since PEPSI can bring COKE to mind, the Solicitor General questions such studies. Brief for the United States at 19. In doing so, he fails to appreciate the difference between **product category** and **brand** dilution.

It is true, of course, that the word "likelihood," in INTA's first Model Act, is omitted from the current statute. It is also true, in plain English, that a drop of iodine "causes dilution" to a gallon of pure water – without "actual harm" to its potability. Dilution, as evolved, truly is:

> like the pollution of a lake. If everyone who pollutes Lake Michigan were allowed to say its discharge is an insignificant contribution ... and that no one is really hurt by it, then no polluter could ever be restrained and it is only on the theory that each pollution, when considered as part of the total pollution that is discharged into the lake, is a restrainable act that the whole concept of protection of the environment through injunctive relief makes any sense.[43]

Framing the question, indeed, as a choice between a "likelihood of" and "actual" dilution sets up an irrelevant dichotomy. While likely confusion may be established with respect to an "appreciable number" of consumers, that threshold is "quite low," and a "higher standard should be employed to gauge" the "extraordinary remedy" of dilution.[44] As the Trademark Trial and Appeal Board thus recently

PEPSI cannot directly cue the COKE **mark** (there is no similarity between the two); rather, PEPSI cues the cola **category** it shares with COKE, and category dilution occurs (COKE is no longer the single cola product in the consumer's mind). Category dilution is not actionable because "[s]haring in the goodwill of an article ... is the exercise of a right possessed by all," *Kellogg Co. v. Nat'l Biscuit Co.*, 305 U.S. 111, 122 (1938), and category association must be eliminated from a brand study. Swann, *Dilution 2002*, 92 TRADEMARK REP. at 619-20. When, however, a junior use cues a famous **mark**, the "distinctiveness" of the **mark** is lessened. DUPONT for shoes **is** "actionable," and ascertaining whether a junior use, **in the abstract**, brings a famous brand to mind is directly probative: it tests the strength and singular recall of the famous brand and avoids the possibility of false association from the survey's design. *Id.* at 620 n.214.

[43] *McDonald's Corp. v. Gunville*, 1979 U.S. Dist. LEXIS 11106, at *8-9 (N.D. Ill. 1979).

[44] Trademark Review Commission, 77 TRADEMARK REP. at 461.

noted, a "lessening" of distinctiveness occurs "when a **substantial percentage** of consumers, upon seeing the junior party's use of a mark on its goods, are immediately reminded of the famous mark and associate the junior party's use with the owner of the famous mark."[45]

The word "likelihood," therefore, is extraneous to the analysis: a junior use either **substantially** triggers a senior use, **or it does not**. A junior use that instantly brings a famous mark to mind "causes dilution," defined as a lessening of a capacity to identify. A junior use that does not substantially tap into the memory traces of a famous mark is benign.

Used in connection with the separate concept of infringement, "likelihood" is necessary to define the reach of the remedy: trademark rights are usurped when there is likelihood of, not actual, confusion. Used in connection with dilution, "likelihood" is superfluous: a junior use, in fact, "causes dilution" when, by reason of its substantial association with a famous mark, there is, inherently and instantly, a "lessening of the capacity of the famous mark to identify."[46] Given the clear signals transmitted by the Trademark Review Commission and Congress when they truly intended to limit the first Model Act's reach (by focusing on "famous" marks), the suggestion that both entities essentially nullified the dilution doctrine by omitting, without fanfare, a single, **alien** word, carries literalism beyond logic.[47]

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[45] *Toro v. ToroHead*, 61 U.S.P.Q.2d at 1183 (emphasis added).

[46] Petitioners' effort, *passim*, to draw parallels between "causes dilution" and "likelihood of confusion" is thus a true "apples and oranges" endeavor. Petitioners' Brief at 46.

[47] *See* Matthew S. Voss, *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev. & Nabisco, Inc. v. PF Brands, Inc.*, 15 BERKELEY TECH. L. J. 265, 278-79 (2000). "Likelihood" is also missing from the *revised* Model Act; the revised Act would not have been adopted had INTA understood it to eviscerate, rather than "augment," a dilution remedy; and the revised Act has not received the Fourth Circuit's limiting construction. *See Big Y Foods, Inc. v. Retail Mktg. Network, Inc.*, 1995 U.S. Dist. LEXIS 2498, at *9-10 (D. Mass. 1995)

In thus concluding that a requirement of "actual harm" to a "senior mark's economic value" "does not leap fully and immediately from the statutory text" of the FTDA, 170 F.3d at 453, the Fourth Circuit states the obvious. In finding that such a requirement is dictated by the history of dilution theory, the Fourth Circuit is in error. While it might have been radical in 1927 to define dilution as a "mental association" that attacks a senior mark's "distinctiveness," 170 F.3d at 453, 459, the law has evolved from *Yale Electric* (recognizing the reputational value of marks) to *Mishawaka* (appreciating the "drawing power of a congenial symbol") to *James Burrough* (noting the significance of brand fame) to *Abercrombie* (noting the significance of singularity) to *Allied Maintenance* (highlighting the "ultimate effect" of proliferated junior uses) to *U.S. Olympic Committee* (constitutionally sanctioning "limited property right[s]" in words).

Requiring proof of actual harm for a concept that was conceived to free famous marks from the shackles of "concrete injury" would be the ultimate oxymoron. Rather, history teaches, and **this Court has recognized**, that a substantial mental association with a junior use suffices, without more, to "lessen the distinctiveness and thus the commercial value" of a qualifying symbol. 483 U.S. at 539.

II. The Logic of the Lanham Act

A. The Confusion-to-Dilution Continuum

Demanding proof of actual harm as a predicate for dilution's invocation contravenes, moreover, the logic of the Lanham Act – and the evolution of federal trademark legislation. Under common law, infringement liability depended, as noted above, on proof that defendant had diverted sales[48] from plaintiff. Unless parties were in direct competition, li-

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(interpreting CONN. GEN. STAT. § 35-11i(c)); *R.L. Winston Rod Co. v. Sage Mfg. Co.*, 838 F. Supp. 1396, 1399 (D. Mont. 1993) (interpreting WASH. REV. CODE § 19.77.160).

[48] *Lawrence Mfg. Co. v. Tennessee Mfg. Co.*, 138 U.S. 537, 546 (1891).

ability for unfair competition was a practical impossibility.[49]

In 1946, however, Congress **adopted** the Lanham Act to protect marks more broadly from **likely** confusion, fully appreciating that proof of actual harm is "notoriously difficult." 4 MCCARTHY, TRADEMARKS, § 30.58. Under the Act's statutory causes of action for infringement, neither lost sales nor actual confusion are requisites for relief.[50]

In its 1995 addition of the FTDA, Congress then **expanded** the Lanham Act to protect **famous** marks "regardless of" likely confusion, necessarily appreciating that actual harm would be even **less** "immediate and ... measurable."[51] As Congress noted, the concept of dilution recognizes the "investment" in a mark and the "commercial value and aura of the mark itself," protecting both from those who would "appropriate the mark for their own gain." H. R. REP. NO. 104-374, at 3, *reprinted in* 1995 U.S.C.C.A.N. at 1030.

The relationship between traditional infringement actions and section 43(c) thus reflects a congressional intent in enacting the latter provision to extend a special degree of protection to famous and distinctive marks. *Id.* The owners of less distinctive marks have always been able to avail themselves of protection under the likely confusion test for infringement without the need for a demonstration of lost sales. If such a showing is, however, a prerequisite for relief under federal dilution law, the adoption of dilution as an **expanded** basis for relief will have been a meaningless exercise. As the Seventh Circuit has noted in harmony with the Sixth, "[i]t is hard to believe that Congress create[d] a right of action but at the same time render[ed] proof of the plaintiff's case all but

[49] *See, e.g., Borden Ice Cream Co. v. Borden's Condensed Milk Co.*, 201 F. 510 (7th Cir. 1912) (BORDEN used for milk and ice cream).

[50] *See, e.g., Lois Sportswear, U.S.A., Inc.*, 799 F.2d 867, 871 (2d Cir. 1986) (confusion among non-purchasers actionable); *Daddy's Junky Music Stores, Inc. v. Big Daddy's Family Music Ctr.*, 109 F.3d 275, 284 (6th Cir. 1997) ("lack of [actual confusion] evidence is rarely significant").

[51] *See Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Celozzi-Ettelson Chevrolet, Inc.*, 855 F.2d 480, 484 (7th Cir. 1988).

impossible." *Eli Lilly v. Natural Answers*, 233 F.3d at 468.[52]

B. Dilution in the Trademark Office

The logical propriety of the standard adopted by the Court of Appeals below is further reflected in congressional authorization of dilution-based actions in the context of the trademark registration process. Under section 1(b) of the Lanham Act, 15 U.S.C. § 1051(b), an applicant may apply to register its mark with the Trademark Office prior to actual use. Before 1999, grounds for opposing such an application were limited to those set forth in section 2 of the Act, which did not include dilution. *See* 15 U.S.C. § 1052. In that year, however, Congress enacted the Trademark Amendments Act of 1999, Pub. L. No. 106-43, 113 Stat. 218, which revised section 13(a) to read as follows: "Any person who believes that he would be damaged by the registration of the mark upon the principal register, **including as a result of dilution under section 43(c)**, may ... file an opposition...." 15 U.S.C. § 1063(a) (2000) (emphasis added).

Two observations emerge:

1. Because section 13(a) of the Act recognizes dilution as a ground for opposing intent-to-use applications, a context in which no "actual harm" to a famous mark can have occurred, it is apparent that Congress intended that section 43(c) address incipient injury. The legislative history is replete with references to that proposition, *e.g.*:

> Resolving the issue [in the Trademark Office] would provide certainty to competing trademark interests, **before applicant has invested significant resources in its proposed mark, and before dilution-type damage has been suffered in the marketplace by the owner of the famous mark**.

H. R. REP. NO. 106-250, at 5-6 (1999) (emphasis added).

[52] While proof of actual harm "cannot be considered impossible," *Ringling Bros. v. Utah*, 170 F.3d at 464, it is likely that Congress intended to prevent "harm before it occurs." *Nabisco v. PF Brands*, 191 F.3d at 224.

2. The Solicitor General's construction, however, that section 43(c) addresses incipient harm **only** in the Trademark Office creates its own anomalies (apart from a want of reasoned underpinnings):

a. The suggestion would discourage applications to register possibly dilutive marks and **reduce** the Trademark Office's involvement in dilution determinations.
b. In addition, the Trademark Office decides only the right to register, not the right to use,[53] creating the possibility of divergent results in divergent forums.
c. Finally, all Office actions ultimately are reviewable *de novo* by federal courts,[54] creating uncertainty, *e.g.*, as to which standard should apply when a refusal to register a mark, as to which use has begun, is removed to a federal arena.

The standard should thus be uniform, modified only to reflect the stage at which a junior use is encountered: (i) in District Court, an **actual** use "causes dilution" when it is associated with a famous mark, "lessening" its distinctiveness; and (ii) in the Trademark Office, an intent to use "causes dilution" when, **upon use**, it **will be** associated with a famous mark, "lessening" its capacity to identify. Congress, therefore, used the future tense in section 13(a) to accommodate future-use applications, not to compensate for omission of the word "likelihood"; and in **all** venues, to iterate, dilution should hinge on whether **or not** "a substantial percentage of consumers, upon seeing the junior party's use on its goods, are immediately reminded of the famous mark."[55]

C. The Remedial Scheme

Finally, legislative intent may be derived from the remedial scheme Congress adopted. For infringement causing a likelihood of confusion, Congress erected a special damage provision in recognition of the difficulty of proving actual damage by a defendant's conduct.[56] Other, however, than with respect to intentional dilution, Congress afforded only an injunctive remedy as a dilution antidote,[57] thus fully appreciating that actual harm from a "single bee sting"[58] is not only difficult to prove – it is nonexistent.

D. Summary of Lanham Act Considerations

From the foregoing analysis of the Lanham Act, four irrefutable propositions emerge:

1. Congress knew that proof of actual harm even in the company of "likelihood of confusion" is problematic.
2. Congress necessarily appreciated that proof of actual harm would be essentially impossible where, by definition, likely confusion is absent.
3. By failing, indeed, to extend the special damage section for infringement to dilution, Congress recognized that dilution is not likely, at least in the near term, to cause even difficult-to-prove damage.
4. To argue that Congress intended dilution as a greater bar to registration than to actual use is neither reasoned nor reflective of the Trademark Office's limited role in ultimate use determinations.

Accordingly, the need for "actual harm" not only fails to "leap" from the Lanham Act; it is rejected at every turn. Read together, sections 43(c) and 45 cannot be construed to require that a junior use be of such intensity and duration as to have actually impaired the commercial magnetism and selling power of a famous mark. Those who question dilution's scope are thus reduced to the plaint that it "is designed

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[53] *In re McGinley*, 660 F.2d 481, 484 (C.C.P.A. 1981).
[54] *See generally* 15 U.S.C. § 1071(b) (2000); *Freedom Sav. & Loan Ass'n v. Way*, 757 F.2d 1176, 1180 (11th Cir. 1985).
[55] *Toro v. ToroHead*, 61 U.S.P.Q.2d at 1183.
[56] *See* 15 U.S.C. § 1117 (2000).
[57] *See id.* § 1116(a).
[58] *See supra*, note 40.

solely for the benefit of sellers [and] offers no benefit to the consuming public,"[59] but even that concern is uninformed:

> as the subject matter of commercial transactions becomes each decade more complex and less tangible,[60] the need for strong, unique signals as an aid to "informed purchasing decisions" becomes more central.[61] "In consumers' hectic lives today, the shortage of time requires that brands help 'edit' the overwhelming array of choices in a crowded marketplace."[62] .... Those, who criticize dilution as protection only for a mark, not a market, [thus] take too narrow a view. "More than ever, strong brands are simplifiers,"[63] and [preserving their] communicative clarity is a public, not a private, good.[64]

Because "[a] unique brand name and cohesive brand identity are probably the most powerful pieces of information for consumers,"[65] that "reduce [to a minimum a] customer's costs of shopping and making purchasing decisions,"[66] "sound public policy requires that trademarks [that meet dilution's stringent test] receive nationally[, more than other marks,] the greatest protection that can be given them."[67]

[59] *TCPIP Holding Co. v. Haar Communications Inc.*, 244 F.3d 88, 95 (2d Cir. 2001).

[60] Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 YALE L. J. 1687, 1693 (1999).

[61] Kathleen McCabe, *Dilution by Blurring: A Theory Caught in the Shadow of Trademark Infringement*, 68 FORD. L. REV. 1827, 1831 (2000).

[62] DUANE E. KNAPP, THE BRAND MINDSET 176 (2000). As a simple example, a large supermarket will carry 20,000 items through which the average shopper must sort in forty-five minutes, without assistance, to fill a cart with purchases for the week, and only with clear brands and packaging is the process possible. J. PAUL PETER & JERRY C. OLSON, CONSUMER BEHAVIOR AND MARKET STRATEGY 34, 114-15 (5th ed. 1999).

[63] STEVEN M. CRISTOL & PETER SEALEY, SIMPLICITY MARKETING 23 (2000) ("In the context of too much choice, brand is the most efficient path to satisfaction and tension release. Brands are playing a bigger role as the exasperated consumer's ... shortcut to a purchase decision.")

[64] Swann, *Dilution 2002*, 92 TRADEMARK REP. at 603-04.

[65] Jacoby, *Psychological Foundations*, 91 TRADEMARK REP. at 1025.

[66] *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 163 (1995).

III. Basic Trademark Economics

Beginning in their Summary of Argument, petitioners warn that recognition of "in gross" rights in a trademark will confer a "monopoly" – a "patent in a word." (Petitioners' Brief at 8-10.) They later argue that dilution protection may ""swallow up [or block] competition"" (*id.* at 20, 41), and in their penultimate heading, they assert that the "**Second Circuit's *Nabisco* Standard ... Is Anti-Competitive.**" (*Id.* at 45.) Such argument is pure hyperbole.

A trademark confers rights only in the good will generated for a symbol, not in the underlying good itself.[68] The assertion that the mere words, "Victoria's Secret," **alone** confer a **non**reputational ability on their owner to stifle others in lingerie is contradicted by its own statement, and no market has ever been defined as narrowly as a trademark.[69]

[67] *See Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 193 (1985).

[68] For decades, of course, trademark good will has fetched billions of dollars in open-market transactions, *see The Year of the Brand*, THE ECONOMIST 95 (Dec. 24, 1988), but good will is a "fragile asset[]." Trademark Review Commission, 77 TRADEMARK REP. at 456. In the 1970s, for example, the Joseph Schlitz Brewing Company, with the number two beer brand in the nation, sacrificed its good will in the name of profits. It changed the ingredients and process by which it made beer and sabotaged its reputation for quality. It then tried to recreate itself by returning to its original formulation, and in 1980, it spent $4 million on Super Bowl spots showing that tasters preferred its product in blind tests, but it was too late. Anheuser-Busch and Miller had already repositioned and leapt ahead in market share, cannibalizing Schlitz's core blue-collar market. DAVID A. AAKER, MANAGING BRAND EQUITY 78-85 (1991). Schlitz thus went from being one of dilution's poster children (cited as an example of a famous mark that its owner could prevent being used on varnish, *Hormel Foods Corp. v. Jim Henson Prods.*, 73 F.3d 497, 506 (2d Cir. 1996)), to being a "one-billion dollar marketing disaster." DAVID A. AAKER & ERICH JOACHIMSTHALER, BRAND LEADERSHIP 20 (2000).

[69] MCCARTHY, TRADEMARKS, § 2.05.

Petitioners thus would take this Court back to the 1930s when adherents of the Harvard school of economics theorized that "[b]y successfully differentiating a standardized product ... and achieving brand loyalty through advertising, a producer could insulate his market share from price competition [and create high barriers to entry]."[70] Edward Chamberlain was, indeed, so fearful of brand marketing that he urged "permitting unlimited confusion through imitation, so that it would be almost impossible to accomplish advertising differentiation."[71]

Harvard school thinking still influences some writers in the trademark arena,[72] and some courts still worry about creating "property rights in gross" in a word.[73] Today, however, under the influence of the "Chicago school,"[74] courts appreciate, as did the Trademark Review Commission,[75] that "[t]he distinctive yet pronounceable combinations of letters to form words that will serve as a suitable trademark are as a practical matter infinite."[76] A once "hostile view of brand advertising has been largely ... rejected,"[77] and in enacting

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[70] Daniel M. McClure, *Trademarks and Unfair Competition: A Critical History of Legal Thought*, 69 TRADEMARK REP. 305, 330 (1979).

[71] Ralph S. Brown, Jr., *Advertising and the Public Interest: Legal Protection of Trade Symbols*, 57 YALE L.J. 1165, 1195 n.126 (1948) (Chamberlain wanted to "scrap the identification function [of marks], leaving the public to be protected against debased imitations by standard grades").

[72] See, e.g., Robert N. Klieger, *Trademark Dilution: The Whittling Away of the Rational Basis for Trademark Protection*, 58 U. PITT. L. REV. 789, 861 n.422 (1997), referring to Chamberlin as if he were still a "leading authority on product differentiation as a barrier to competition," and engaging in flawed economic analyses. Swann, Dilution Redefined for the Year 2000, 90 TRADEMARK REP. 823, 830 n.42 (2000).

[73] *Ringling Bros. v. Utah*, 170 F.3d at 456.

[74] *See* William M. Landes & Richard A. Posner, *The Economics of Trademark Law*, 78 TRADEMARK REP. 267 (1988).

[75] Trademark Review Commission, 77 TRADEMARK REP. at 457.

[76] Landes & Posner, *Economics*, 78 TRADEMARK REP. at 276; *see also* Swann, *Dilution 2000*, 90 TRADEMARK REP. at 828 n.32.

[77] Landes & Posner, *Economics*, 78 TRADEMARK REP. at 277.

the Lanham Act, Congress recognized that brands, by giving consumers a means to choose between goods, are "the essence of competition."[78] Brands, *inter alia*: (i) enhance consumer efficiency;[79] (ii) foster quality control;[80] (iii) afford a wider spectrum of goods;[81] (iv) facilitate entry;[82] and (v) further competitive pricing.[83]

Famous brands are "cultural icons"[84] that, *alone*, convey information about a product's "features and benefits":[85] about, *e.g.*, its performance,[86] provenance,[87] personality,[88] price,[89] and panache.[90] Such brands are hugely powerful data clusters that, to repeat, reduce to a minimum a "'customer's

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[78] S. REP. NO. 1333 (1946), *reprinted in* 1946 U.S.C.C.A.N. 1274, 1275. In the absence of trademarks, consumers:

> could only learn about the quality distribution of the industry as a whole, [and] a manufacturer would gain little or nothing from improving his product's quality. Consumers would be unable to recognize high- or low-quality brands, so sales would tend to go to manufacturers who reduced their price by cutting corners on quality. The result would be a race to produce inferior products, rather than competition to produce better ones.

RICHARD CRASWELL, TRADEMARKS, CONSUMER INFORMATION, AND BARRIERS TO COMPETITION 7 (1979).

[79] *See Scandia Down Corp. v. Euroquilt, Inc.*, 772 F.2d 1423, 1429-30 (7th Cir. 1985).

[80] *See Fabrication Enters. v. Hygenic Corp.*, 64 F.3d 53, 58 (2d Cir. 1995) (noting that without brands, "informed consumer choice, and hence meaningful competition in quality, could not exist").

[81] Nicholas S. Economides, *The Economics of Trademarks*, 78 TRADEMARK REP. 523, 525-27 (1988).

[82] *See* McClure, *Unfair Competition*, 69 TRADEMARK REP. at 345-47.

[83] Jerre B. Swann, David A. Aaker & Matt Reback, *Trademarks and Marketing*, 91 TRADEMARK REP. 787, 803-05 (2001).

[84] *See* Steven Hartman, *Brand Equity Impairment – The Meaning of Dilution*, 87 TRADEMARK REP. 418, 420 n.5 (1997).

[85] *See* BERND H. SCHMITT, EXPERIENTIAL MARKETING 13-14 (1999).

[86] A BMW is the "ultimate driving machine."

[87] JACK DANIELS is Tennessee "sippin'" whiskey.

[88] SONY is innovative.

[89] MARRIOTT and MOTEL 6 generate separate price expectations.

[90] RITZ CARLTON is luxurious.

costs of shopping and making purchasing decisions.'"[91] Consumers, quite simply, are richer (and can proceed with greater efficiency and confidence) in the presence of "Ivory, Camay, Tide, Cheer, ... Secret [and] Sure" than if confronted by "P&G bar soap [I and II], P&G laundry detergent [A and B], ... [and] P&G deodorant [for women and for men]."[92]

Given, indeed, the gestalt of famous brands, dilution is necessary to prevent others, intentionally or not,[93] from sharing in their "magic,"[94] from capturing their "ready-made public acceptance."[95] In, for example, a notable moment of candor in trademark annals, the defendant in *Federal Express Corp. v. Federal Espresso, Inc.*, 201 F.3d 168, 170 (2d Cir. 2000) admitted thinking that "'Federal Espresso' would be an easy name to remember [for a coffee shop] because of its similarity to the name 'Federal Express,' which she knew to be a well-known ... trademark." As noted above, HERBOZAC was chosen to trigger the properties of PROZAC.[96]

[91] *Qualitex v. Jacobson*, 514 U.S. at 163-64.
[92] DAVID A. AAKER, MANAGING BRAND EQUITY 226-27 (1991).
[93] Petitioners assert that their selection of "Victor's Secret" was a "complete coincidence," but the "notable similarity between the two marks alone is enough to call into question Defendants' explanation." *V Secret Catalogue, Inc. v. Moseley*, 54 U.S.P.Q.2d 1092, 1095 (W.D. Ky. 2000).
[94] *Augusta Nat'l, Inc. v. Northwestern Mut. Life Ins. Co.*, 193 U.S.P.Q. 210, 219-220 (S.D. Ga. 1976).
[95] *See* Note, *Dilution: Trademark Infringement or Will-O'-the-Wisp?*, 77 HARV. L. REV. 520, 526 (1964). Numerous cases have afforded dilution-type relief to prevent misappropriation of commercial values. *Univ. of Ga. Athletic Ass'n v. Laite*, 756 F.2d 1535, 1545-46 (11th Cir. 1985) ("Battlin' Bulldog Beer" sold "not because the beer tastes great, but because the cans would catch the attention of University of Georgia football fans"); *Boston Athletic Ass'n v. Sullivan*, 867 F.2d 22, 35 (1st Cir. 1989) ("defendants intentionally referred to the Boston Marathon . . . in order to create an identification with the event and, thus, to sell their shirts"); *Boston Prof'l Hockey Ass'n. v. Dallas Cap & Emblem Mfg.*, 510 F.2d 1004, 1012 (5th Cir. 1975) (even absent confusion, "the trademark, originated by the team, [was] the triggering mechanism for the sale").
[96] Fair comparative advertising is the sanctioned alternative to the misappropriation of brand associations. 15 U.S.C. § 1125(c)(4)(A) (2000).

It was early appreciated intuitively,[97] and has recently been confirmed empirically,[98] that a junior use obtains "an unfair advantage ... from the good will created by [a] plaintiff in a [famous] name."[99] Dilution thus has its "roots in the idea that investments in the future of a brand that make it appealing to consumers should not be undermined by others who seek a free ride, whether on the work that produced the goodwill underlying the mark or on the mark itself."[100]

Many courts intuitively reject conduct that affords a "junior user an apparently unearned advantage,"[101] and as this Court implicitly recognized in *U.S. Olympic Committee*, citing *Int'l News Service*, dilution is a form of misappropriation of the strong "memory traces" that famous marks create in the minds of consumers.[102] Not all misappropriation is actionable,[103] but both a famous trademark's owner and consumers are entitled to be protected from the interference with the processing of valuable brand information[104] that results when a junior use brings a famous mark to mind. Both owner and consumers are harmed when "another poaches on

[97] *See Tiffany & Co. v. Tiffany Prods., Inc.*, 264 N.Y.S. 459, 462-63 (Sup. Ct.), *aff'd*, 260 N.Y.S. 821 (App. Div.), *aff'd*, 188 N.E. 30 (N.Y. 1933).
[98] *See* Morrin & Jacoby, *Dilution*, 19 J. PUB. POL'Y & MKTG. at 273.
[99] *See also* KEVIN L. KELLER, BUILDING, MEASURING AND MANAGING BRAND EQUITY 104 (1998) ("All else equal, it will be easier for consumers to create an association to new information when extensive, relevant knowledge structures already exist in memory."). Junior users have an empirically demonstrated incentive to trade on the memorability of a famous mark. Swann, *Dilution 2002*, 92 TRADEMARK REP. at 611-12.
[100] Stephen L. Carter, *The Trouble with Trademark*, 99 YALE L.J. 759, 766 (1990); *see Mattel v. MCA*, 2002 U.S. App. LEXIS 14821, at *21.
[101] David S. Welkowitz, *Reexamining Trademark Dilution*, 44 VAND. L. REV. 531, 585 (1991).
[102] Swann, *Dilution 2002*, 92 TRADEMARK REP. at 624.
[103] For example, "Sweat of the brow" is not a basis for copyright relief. *Rural Tel. Serv. Co. v. Feist Publications, Inc.*, 499 U.S. 340, 352-56 (1991).
[104] Morrin & Jacoby, *Dilution*, 19 J. PUB. POL'Y & MKTG. at 269.

the commercial magnetism of a [famous] symbol."[105]

CONCLUSION

For the reasons set forth above, INTA urges this Court to affirm the Court of Appeals.

Respectfully submitted,

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[105] *Mishawaka v. Kresge*, 316 U.S. at 205.

(12)

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In The

Supreme Court of the United States

VICTOR MOSELEY AND CATHY MOSELEY
d/b/a VICTOR'S LITTLE SECRET,

Petitioners,

v.

V. SECRET CATALOGUE, INC., VICTORIA'S SECRET STORES, INC. AND VICTORIA'S SECRET DIRECT, LLC,

Respondents.

On Writ Of Certiorari To The United States Court Of Appeals For The Sixth Circuit

AMICUS CURIAE BRIEF OF INTELLECTUAL PROPERTY LAW PROFESSORS IN SUPPORT OF RESPONDENTS

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QUESTION PRESENTED

Whether the plain meaning of the operative phrase "causes dilution of the distinctive quality of the mark," read *in pari materi* with the definition of dilution as "the lessening of the capacity of a famous mark to identify and distinguish goods and services," requires objective proof of actual injury to the economic value of the famous mark (as opposed to a presumption of harm arising from a subjective "likelihood of dilution" standard) as a precondition to any and all relief under the Federal Trademark Dilution Act?

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AMICUS CURIAE BRIEF OF INTELLECTUAL PROPERTY LAW PROFESSORS IN SUPPORT OF RESPONDENTS

The undersigned, professors of intellectual property law at law schools throughout the United States, respectfully submit this Brief as Amicus Curiae in support of Respondents.[1]

INTEREST OF THE AMICUS CURIAE

Amicus curiae are professors of intellectual property law at law schools throughout the United States. We have no financial interest in the outcome of the case. We have a professional interest in seeing that intellectual property law develops in ways that best promote its purposes. We submit this brief to emphasize the policies behind dilution law, and to point out the troubling consequences of an actual dilution standard for the development of legal doctrine.

SUMMARY OF ARGUMENT

The Federal Trademark Dilution Act (FTDA) serves the interests of both trademark owners and consumers. It is designed to prevent a particularly insidious form of

[1] Both parties have consented to the submission of this Brief through letters filed with the Clerk of the Court. Counsel of record authored this Brief in its entirety. The Berkeley Center for Law and Technology has underwritten the cost of printing and filing this brief, but itself takes no position on the merits of the case.

injury to the connection in the minds of consumers between a mark and the products it represents. The point of the FTDA was to prevent third parties from blurring the distinctive significance of a famous trademark by using it on noncompetitive goods. The FTDA can serve this purpose only if it is interpreted to cover likely dilution as well as proof of actual economic harm. The actual economic harm or actual dilution standard inherently requires courts to countenance injury to trademark owners and consumers, injury that can never be made whole under the statute. It also creates insurmountable problems of proof that will leave many actual injuries unremedied. And it provides no relief whatever in cases where the significance of the mark is truly being "whittled away" by many different uses. In short, the actual dilution standard would weaken the FTDA beyond the point of recognition, rendering it practically worthless.

The actual dilution standard is also inconsistent with clear Congressional intent in enacting the FTDA. Its application requires strained and sometimes silly readings of the statute. It also requires this Court to assume that Congress ignored everything the world knew about dilution law before 1995, and everything Congress itself said it was doing, and instead enacted a new law the likes of which has never been seen before.

Finally, the policy arguments that are sometimes raised against expanding the scope of trademark rights have no application here. The FTDA contains a number of limiting principles that, properly applied, will prevent trademark owners from overreaching. An actual dilution requirement is not one of those limiting principles.

This Court must construe the FTDA as it would any other statute. In applying the rules of statutory construction, we urge the court to take into account the strong policy arguments in favor of construing the statute as Congress clearly intended it to be construed: as providing effective relief to owners of famous marks against uses likely to dilute the significance of those marks.

I. The FTDA Serves Important Policy Interests

The FTDA serves important policy interests. Trademark law itself serves two important interests. First, it protects consumers against confusion by preventing companies from using any mark or symbol confusingly similar to the trademark of another. Second, it encourages companies to invest in making products of high quality by ensuring that consumers will associate those high-quality goods with their maker, and preventing unscrupulous competitors from "passing off" inferior goods. *See Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 163-64 (1995) (trademark law serves dual role of reducing consumer costs and encouraging the production of quality products).

Trademark dilution law serves the same set of purposes, but in a different way. Dilution law arose as a reaction to the use of certain famous trademarks by third parties who wanted to take advantage of the uniqueness of those marks in order to sell unrelated goods. The canonical case involved a defendant sued by the Eastman Kodak Company for selling bicycles under the "Kodak" brand. *See Eastman Photographic Materials Co. v. Kodak Cycle Co.*, 15 [British] R.P.C. 105 (1898). Consumers were not likely to believe that the film company was selling bicycles; they were not "confused" in the classic sense. But both the

Eastman Kodak Co. and consumers were still harmed by the defendant's use. The Kodak brand, which once was unique, was now shared among two different companies. Further, there was no reason to believe that the deterioration of the brand would stop there. If a company could sell bicycles under the Kodak name, surely another could sell pizza, another gloves, and still another desks. No longer could one refer to "Kodak" without more; some context was necessary to distinguish the film company from the bicycle company. Indeed, over time the name might become so common that its importance as an identifier would diminish. The trademark owner would lose the uniqueness of its brand name, and consumers would lose a powerful tool for distinguishing among products and companies.

Congress passed the FTDA to prevent just such abuses. It emphasized the gradual nature of dilution: "Confusion leads to immediate injury, while dilution is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark." H.R. Rep. 104-374, 104th Cong., 1st Sess. (1995) (quoting *Mortellito v. Nina of California, Inc.*, 335 F. Supp. 1288, 1296 (S.D.N.Y. 1972). Indeed, the primary cause of action for dilution – dilution based on "blurring" – is inherently difficult to quantify. It is a gradual, collective injury to the interests of both trademark owners and consumers. *See* Frank I. Schechter, *The Rational Basis of Trademark Protection,* 40 Harv. L. Rev. 813, 825 (1927) (dilution is the "gradual whittling away or dispersion of the identity" of a mark). But the harm caused by dilution is no less real for being difficult to quantify, or because it occurs in a gradual series of steps rather than a giant leap.

II. An Actual Dilution Standard Defeats the Purpose of the FTDA

Requiring proof of actual dilution or actual economic harm before permitting the owner of a famous trademark to obtain relief would undermine the purposes of the FTDA. It would effectively gut the statute, since most dilution would never be remedied under such a standard. An actual dilution standard is also at odds with what we know of Congress' intent in passing the statute.

A. An Actual Dilution Standard Would Preclude Effective Relief for Dilution

1. The Actual Economic Harm Standard Requires the Courts to Countenance Injury to Mark Owners and Consumers

Under the actual dilution standard as articulated by the Fourth and Fifth Circuits, *see Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Dev.*, 170 F.3d 449, 464 (4th Cir. 1999); *Westchester Media v. PRL USA Holdings*, 214 F.3d 658 (5th Cir. 2000), no cause of action arises under the FTDA until the owner of a famous trademark has already suffered "actual, consummated harm." *Ringling Bros.*, 170 F.3d at 464. Because the relevant harm under the FTDA is the dilution of the distinctiveness of the plaintiff's mark, these Circuits have effectively required that the significance of the famous mark already have been blurred in the minds of consumers before offering relief. This approach has two implications, both radically counterintuitive. First, it suggests that a defendant must actually be established in the marketplace before it can be sued. A company that announces its intention to sell Kodak pianos nationwide must be permitted to do so, even if all parties involved

agree that the use will dilute the famous Kodak mark. Only after the company's use actually weakens Kodak's mark will it be permitted to sue under the FTDA. There is nothing to be gained by such an approach.

Second, the actual economic harm approach requires courts to wait until trademark owners and consumers have lost the very value the statute aims to protect before invoking the statute. This is a curious reading of a statute under any circumstances. In the context of dilution it is particularly problematic. For the value of fame and particularly uniqueness is precisely that consumers associate a mark with only one thing – the company and its products. Once that value is lost – once the trademark owner has been "actually harmed" by having the significance of its mark blurred – it will not be regained. Once consumers blur the significance of a mark in their minds, it is hard to see how a court order will render the mark unique or unblurred again. It may be that no amount of effort would restore the trademark to its prior position.

2. The Statute Provides No Remedy For the Harm the Actual Dilution Approach Would Countenance

As noted in the prior section, the actual dilution approach requires trademark owners and consumers to suffer injury that could have been prevented before invoking the FTDA.[2] But the problem is worse than that. The

[2] As this Court said in refusing to construe the Copyright Act's fair use provision to require proof of actual economic harm,

(Continued on following page)

harm that the actual dilution approach requires will never be remedied. The FTDA provides only for injunctive relief in most cases. 15 U.S.C. § 1125(c)(2) provides that "the owner of the famous mark shall be entitled only to injunctive relief unless the person against whom the injunction is sought willfully intended to trade on the owner's reputation or to cause dilution of the famous mark." Only in these limited circumstances does the FTDA permit a cause of action for monetary remedy and the destruction of infringing goods. Even then, the award of monetary relief and destruction is discretionary with the court. *Id.* As a result, in a large number of cases even trademark owners that prove dilution will only be able to stop further dilution, not do anything about the dilution that has already occurred.

The fact that the statute is limited to injunctive relief in most cases belies the arguments for the actual dilution standard. Surely Congress didn't intend to require proof of damage and then refuse to compensate it. Such a reading would render the protections of the FTDA hollow indeed. It would also strain the equity powers of the courts. The natural role of injunctive relief is to prevent harm, not to try to undo harm once it has occurred. *Cf. Swift & Co. v. United States*, 276 U.S. 311, 326 (1928) (injunctions are

> Actual present harm need not be shown; such a requirement would leave the copyright holder with no defense against predictable damage. Nor is it necessary to show with certainty that future harm will result. What is necessary is a showing by a preponderance of the evidence that some meaningful likelihood of future harm exists.

Sony Corp. of America v. Universal City Studios, Inc., 464 U.S. 417, 451 (1984).

designed to prevent future wrongs). The proposed requirement of actual economic harm would turn this principle on its head, precluding injunctions designed to stop dilution and permitting only injunctions designed to "close the barn door" long after the horse is gone.

3. Actual Economic Harm Will Be Virtually Impossible to Prove

The previous sections have demonstrated that even if the trademark owner can prove actual economic harm, requiring it to do so will render the supposed protections of the FTDA ineffective. But evidentiary concerns compound the problem. Actual dilution will be exceedingly difficult to prove. Fame itself is a nebulous concept, as demonstrated by the complex, open-ended, multi-factor test in the statute, 15 U.S.C. § 1125(c)(1)(A)-(H), and the difficulties the courts have had in determining fame. *See, e.g.*, Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 Yale L.J. 1687, 1698-99 (1999); Lori Krafte-Jacobs, Comment, *Judicial Interpretation of the Federal Trademark Dilution Act of 1995*, 66 U. Cin. L. Rev. 659, 690 (1998) (reporting on this confusion). Quantifying reductions in distinctiveness will prove even harder. As the Restatement (Third) of Unfair Competition § 25 notes, proof of dilution normally must rely on inferences because "[d]irect evidence of a dilution of distinctiveness is seldom available."[3]

[3] An additional problem is that the actual dilution approach is circular. One of the factors bearing on fame is the number of competing uses of a mark; a mark is more likely to be famous if it is unique than if many different companies share the same mark. *See* 15 U.S.C.

(Continued on following page)

Surveys won't necessarily help. First, it is not clear how to design a survey that measures dilution at all. As the Restatement explains, blurring is "a phenomenon not easily sampled by consumer surveys and not normally manifested by unambiguous consumer behavior." *Id.* Demonstrating that a mark is being blurred requires a time comparison: the trademark owner must show that the mark is less distinctive now than it was before the blurring. But how can a consumer survey go back in time to make that comparison? Will trademark owners have to constantly survey their consumers, testing the fame of their marks and casting about for someone to sue whenever that fame declines? The difficulties inherent in proving actual economic harm will mean that in many cases, even those who have suffered such harm will be unable to take advantage of the anemic remedies the actual dilution approach would permit.

§ 1125(c)(1)(G) (use of mark by third parties one factor relevant to fame); 4 J. Thomas McCarthy, Trademarks and Unfair Competition § 24:92, at 24-173 ("A mark that is merely one in a crowd of similar marks will not usually be famous."). Under the actual dilution approach, a trademark owner with a unique, famous mark must permit other uses of its mark until it can show that the distinctiveness of its own mark has been blurred. But by then, the mark may not count as famous, both because it is no longer unique and because its distinctive significance has been whittled away. The result is a vicious circle for trademark owners.

4. The Actual Dilution Approach Gives No Relief Where the Harm is Caused By Multiple Defendants

A final problem with the actual dilution approach arises when more than one party makes use of a famous trademark. Under the actual dilution approach, the trademark owner is entitled to injunctive relief only if it can prove that a particular use causes actual economic harm to the mark. This standard presupposes that the measurable harm was caused by a single defendant. But if many different parties make dilutive use of the same mark, even if the trademark owner can prove that it has been harmed it may be impossible to demonstrate that any one of those uses was the cause of the harm. Nor will this be an unusual case. Indeed, the very essence of "whittling away" the value of a mark is not harm caused by a single defendant, but the aggregate harm caused by many different acts of dilution. It would be ironic indeed if the FTDA were interpreted to exclude from its ambit the canonical case of dilution.

5. Conclusion

The actual economic harm requirement has extremely troubling policy implications. It renders the FTDA a hollow and useless thing, incapable of being used to protect trademark owners and consumers against the very acts that it was designed to prevent. The Court should not be inclined to favor this reading of the statute if there is any alternative.

B. The Likely Dilution Standard Is Consistent With Congressional Intent and the Normal Understanding of Dilution Laws

Congress prohibited commercial uses of a mark that "cause[] dilution of the distinctive quality of the mark." 15 U.S.C. § 1125(c)(1). But it is clear that Congress intended the owners of famous trademarks to be able to stop possible dilutive acts before they became widespread. The House Report provides that "the use of DUPONT shoes, BUICK aspirin, and KODAK pianos would be actionable under this legislation." H.R. Rep. 104-374, 104th Cong., 1st Sess. (1995). The House Report did not suggest that these mark owners would have to demonstrate that they had already suffered actual economic harm. Rather, Congress seems to have assumed that the law it was passing would provide action against the kinds of uses it identified as examples, whether or not the trademark owners could prove actual economic harm.

Similarly, the statute provides that a trademark owner can obtain only injunctive relief against dilution "unless the person against whom the injunction is sought willfully intended to trade on the owner's reputation or to cause dilution." 15 U.S.C. § 1125(c)(2). While this provision was clearly intended to carve out a subset of cases in which the defendant's bad conduct justified stronger penalties, under the actual dilution interpretation it would do no such thing. Indeed, it is quite likely that some defendants act with an intent to trade on the owner's reputation – or an intent to cause dilution – even if the plaintiff cannot prove that actual economic harm resulted. It would be an odd reading of the statute for the basic remedy to cover less conduct than the enhanced remedies. Again, it is more likely that Congress assumed it was

enacting a statute that authorized the courts to enjoin conduct likely to dilute a famous mark.

Congress expressly stated that a federal dilution statute was "necessary because famous marks ordinarily are used on a nationwide basis and dilution protection is currently only available on a patch-quilt system of protection." H.R. Rep. 104-374, 104th Cong., 1st Sess. (1995). It worried that state statutes were inconsistent. *Id.* But the overwhelming majority of state statutes in force at that time all appeared to prevent conduct that is "likely to dilute" the distinctive significance of a trademark; at the time Congress passed the FTDA no state statute had been interpreted to impose a requirement of actual economic harm. *See, e.g.,* David Welkowitz, Trademark Dilution: Federal, State and International Law 17-21 (BNA Books 2002) (summarizing state antidilution statutes); Robert N. Klieger, *Trademark Dilution: The Whittling Away of the Rational Basis for Trademark Protection*, 58 U. Pitt. L. Rev. 789, 813-14 (1997) (describing the attributes of the various state statutes).[4] *See also* Restatement (Third) of Unfair Competition § 25 (1995) (restating the general state dilution law as requiring "[p]roof of a likelihood of dilution"). Congress did nothing to indicate that it was departing rather sharply from what all previous dilution statutes had required. It is more likely that Congress assumed that it was enacting a statute that, like the state statutes on which it was modeled, prevented commercial uses of a mark likely to dilute its distinctive significance.

[4] Since the passage of the FTDA, a number of states have changed their statute to track the language of the FTDA. *See* Welkowitz, *supra*.

Congress made it clear that it was enacting the FTDA in part because it believed the statute necessary to comply with United States obligations under the Agreement on Trade Related Aspects of Intellectual Property Rights ("TRIPs") of the General Agreement on Tariffs and Trade, passed the year before. *See* H.R. Rep. 104-374, 104th Cong., 1st Sess. at 4 (1995) ("[E]nactment of this bill will be consistent with the terms of GATT and TRIPs," which "includes a provision designed to provide dilution protection to famous marks."). Indeed, Congress indicated its hope that enacting the FTDA would lead by example "assist[ing] the executive branch in its bilateral and multilateral negotiations with other countries to secure greater protection for the famous marks owned by U.S. companies." *Id.* Article 16(3) of TRIPs, which requires member countries to provide certain minimum protections for famous marks,[5] extends that required protection to include cases in which "the interests of the owner of the registered trademarks are likely to be damaged by such use." Enacting a statute that did not comply with the TRIPs requirement as Congress understood it and provided substantially weaker protection than that which Congress believed to be required by international treaties would hardly advance the goal either of consistency with TRIPs or of helping the United States "secure greater protection" abroad. Again, it is likely that Congress assumed it was doing what it said it was doing, not passing a

[5] Whether article 16(3) actually mandates protection against dilution is a matter of some dispute, and *amici* do not take any position on that issue. All that matters for purposes of this case is that Congress believed the FTDA was necessary to comply with article 16(3), and that article focuses on likely rather than actual injury.

statute that failed to achieve its stated aims in the international arena.

Finally, Congress modified the FTDA in 1999 to make it clear that the owner of a famous trademark could oppose another party's application for a trademark in the Patent and Trademark Office on the ground that the registration of that other party's trademark would dilute the opposer's mark. *See* Trademark Amendments Act of 1999, Pub. L. 106-43, 113 Stat. 218 (August 5, 1999). This amendment is flatly inconsistent with the actual dilution standard. By allowing the owners of famous trademarks to oppose *applications* for trademarks that would dilute the famous mark, even before the mark being applied for was used in commerce, Congress clearly permitted trademark owners to stop possible dilution before it began. And since one purpose of the 1999 Amendments was to permit the Trademark Trial and Appeal Board (TTAB) to "give guidance to litigants and the Trademark Bar, through precedent, with respect to such issues as . . . what constitutes dilution . . . ," H.R. Rep. No. 106-250 at 6, 106th Cong., 1st Sess. (1999), it only makes sense to conclude that Congress believed the FTDA and the Trademark Amendments Act standards to be identical. Reading the FTDA to require actual economic harm would put the two statutes at odds, making any guidance the TTAB might provide worse than useless.

It is of course possible to construe a statute to reach an outcome that Congress clearly did not intend. But this Court should be wary of doing so, particularly when the evidence of Congressional intent is so plain and the proposed reading of the statute such a radical departure from all past precedent. Like the policy concerns with the actual dilution reading, Congressional intent counsels that

the Court look long and hard for support for the "likelihood of dilution" reading.

III. A Likely Dilution Standard Will Not Render the FTDA Too Powerful

The Fourth Circuit adopted the actual dilution standard in part out of concerns that the FTDA might be read to create a "property right in gross" precluding any uses of a famous mark without permission. *Ringling Bros.*, 170 F.3d at 454. Commentators (including the author of this brief) have similarly worried about the risks of overbroad dilution protection. Lemley, *supra*, at 1698-99, 1710-13; Howard J. Shire, *Dilution Versus Deception – Are State Antidilution Laws an Appropriate Alternative to the Law of Infringement?*, 77 Trademark Rep. 273, 296 (1987); Kenneth L. Port, *The "Unnatural" Expansion of Trademark Rights: Is a Federal Dilution Statute Necessary?*, 18 Seton Hall Legis. J. 433, 447-49 (1994). Outside the dilution context, this Court has expressed concern of late about granting too much power to trademark owners. *See, e.g., Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 213 (2000) (reading product configuration protection narrowly so that consumers would "not be deprived of the benefits of competition" in designs); *TrafFix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23, 34-35 (2001) (reading functionality doctrine to prevent the Lanham Act from being used to "reward manufacturers for their innovation").

While the courts should be careful to limit the scope of the FTDA to true cases of dilution of a famous mark, creating an actual dilution standard is not the right way to impose such limits. The FTDA has a number of limits built

into it to prevent dilution law from expanding beyond its proper scope. Only famous marks are eligible for dilution protection, and the fame requirement is properly read to be relatively strict. *See, e.g., Avery Dennison Corp. v. Sumpton*, 189 F.3d 868 (9th Cir. 1999). The definition of dilution does not include noncommercial uses, *see* 15 U.S.C. § 1125(c)(1), and the statute includes express defenses for comparative advertising and news reporting. 15 U.S.C. § 1125(c)(4). To graft an "actual dilution" standard onto the statute in an effort to limit its reach would limit dilution in the wrong ways. It would prevent effective relief against real cases of dilution, while doing nothing to bolster the fame requirement or address the legitimate concerns of comparative advertisers, the news media or noncommercial users. If the courts are to cabin abuses of the FTDA, they should do it by limiting dilution protection to truly famous marks, by properly interpreting the tarnishment requirement, and by insisting on proof of commercial use of a mark. This Court should not adopt a reading of the statute that prevents it from being applied where dilution truly is likely. Doing so throws the baby out with the bath water.

CONCLUSION

We urge this Court to reject the requirement of actual economic harm and to affirm the judgment below.

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IN THE

Supreme Court of the United States

VICTOR MOSELEY, CATHY MOSELEY, DBA
VICTOR'S LITTLE SECRET

Petitioners,

v.

V SECRET CATALOGUE, INC., ET AL.,

Respondents.

ON WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

BRIEF FOR RINGLING BROS.-BARNUM & BAILEY COMBINED SHOWS, INC., AMERICAN AUTOMOBILE ASSOCIATION, BACARDI & COMPANY LIMITED, BANK OF AMERICA, BENETTON GROUP, S.p.A., DEERE & COMPANY, NEWSWEEK, INC., PFIZER INC., PUBLIC BROADCASTING SERVICE, AND SOTHEBY'S HOLDINGS, INC. AS AMICI CURIAE SUPPORTING RESPONDENTS

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QUESTION PRESENTED

Whether the owner of a famous trademark is precluded from obtaining injunctive relief under the Federal Trademark Dilution Act (FTDA) unless it can prove that the defendant's use of an identical or very similar mark has already caused actual economic harm to the owner of the famous mark.

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INTEREST OF THE *AMICI CURIAE*

The *amici curiae* are owners of famous trademarks protected under the Federal Trademark Dilution Act of 1995 (FTDA), Pub. L. No. 104-98, 109 Stat. 985.[1] The *amici* thus have a strong interest in the scope of protection afforded by the FTDA. *Amicus* Ringling Bros.-Barnum & Bailey Combined Shows, Inc. brought an action to protect its famous mark, "THE GREATEST SHOW ON EARTH," that resulted in the Fourth Circuit's decision in *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449 (4th Cir.), *cert. denied*, 528 U.S. 923 (1999). Petitioners in this case urge the Court to adopt the Fourth Circuit's interpretation of the FTDA in *Ringling Bros.*, under which owners of famous marks cannot obtain any injunctive relief unless they can prove that the defendant's use of a mark has caused "actual economic harm to the famous mark's economic value." 170 F.3d at 461. *See* Pet. i (question presented is whether plaintiff must show "actual injury to the economic value of the famous mark").

In its decision below, the Sixth Circuit explicitly rejected the Fourth Circuit's interpretation. *V Secret Catalogue, Inc. v. Moseley*, 259 F.3d 464, 472-76 (6th Cir. 2001) *cert. granted*, 122 S. Ct. 1536 (2002). Respondents and the United States urge this Court likewise to reject the standard adopted by the Fourth Circuit. The core issue before the Court, therefore, and the issue on which it granted review, is whether, as the Fourth Circuit held in *Ringling*

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[1] Pursuant to Supreme Court Rule 37.3(a), the *amici* have obtained from all parties their written consent to the filing of this brief. Pursuant to Supreme Court Rule 37.6, counsel for the *amici* certifies that this brief was not authored in whole or in part by counsel for any party, and that no person or entity other than the *amici*, its members, or its counsel has made a monetary contribution to the preparation or submission of this brief.

Bros., the FTDA requires proof of actual injury to the economic value of a famous mark as a precondition to injunctive relief.

The *amici curiae* submit that the answer is "no." The Fourth Circuit's interpretation of the FTDA is inconsistent with the statutory language, the legislative history, and basic principles of trademark law.

STATEMENT

Congress enacted the FTDA to provide additional protection to "famous" trademarks, over and above the protection against infringement already provided by the Lanham Act. In a case brought by *amicus curiae* Ringling Bros.-Barnum & Bailey Combined Shows, Inc., the Fourth Circuit adopted a "concededly stringent" interpretation of the statutory definition of trademark dilution that, in the Fourth Circuit's own words, "surely does not leap fully and immediately from the statutory text." 170 F. 3d at 453, 458. The Fourth Circuit's interpretation, which Petitioners urge this Court to adopt, effectively nullifies the FTDA by requiring owners of famous marks to prove "actual economic harm" to the famous mark as a precondition for obtaining injunctive relief under the FTDA.

The Fourth Circuit's interpretation is contrary to the language and purpose of the FTDA, which was intended to prevent the "whittling away" of the distinctiveness of famous marks, a process that gradually destroys the value of a famous mark but typically does not cause immediate, provable economic injury. In addition, the Fourth Circuit's interpretation conflicts with the principle that actual economic harm is not an element of a trademark violation under the Lanham Act, as well as the equitable principle that injunctive relief is designed to prevent harm before it occurs.

Trademark Protection Under the Lanham Act. The Trademark Act of 1946, commonly known as the

Lanham Act, "was intended to make 'actionable the deceptive and misleading use of marks' and 'to protect persons engaged in . . . commerce against unfair competition.'" *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 767-68 (1992) (*quoting* Lanham Act § 45, 15 U.S.C. § 1127). The Lanham Act defines a "trademark" as "'any word, name, symbol, or device, or any combination thereof' used by any person 'to identify and distinguish his or her goods . . . from those manufactured or sold by others and to indicate the source of the goods.'" *Id.* at 768 (*quoting* Lanham Act § 45, 15 U.S.C. § 1127).[2] The remedies available under the Lanham Act include injunctive relief, damages, and an accounting of the infringer's profits. Lanham Act § 35(a), 15 U.S.C. 1117(a).

To show trademark infringement in violation of the Lanham Act, a trademark owner must prove that unauthorized use of its mark, or a similar mark, is likely to cause consumer confusion or mistake, or to deceive consumers as to the source or sponsorship of the goods. *See Two Pesos*, 505 U.S. at 769 (trademark infringement "requires proof of the likelihood of confusion"); *see also* Lanham Act § 45, 15 U.S.C. § 1127 (same). Indeed, likelihood of confusion is "the touchstone of trademark infringement as well as unfair competition." 3 J. Thomas McCarthy, *McCarthy on Trademarks & Unfair Competition* § 23:1 (4th ed. 1999).

Protection From Trademark Dilution Under State Law. The requirement that a plaintiff prove likelihood of confusion frequently limited trademark protection under the

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[2] The Lanham Act also protects "service mark[s]," which are defined as including "any word name, symbol, or device, or any combination thereof . . . used . . . to identify and distinguish . . . services." Lanham Act § 45, 15 U.S.C. § 1127. In this brief, the term "marks" refers to both trademarks and service marks.

Lanham Act to cases involving directly competing or related products or services. It was recognized, however, that owners of famous marks confront situations in which producers of different products or services use their famous marks or very similar marks. While these uses do not necessarily cause confusion as to the source of the products or services, they reduce the distinctiveness of the famous marks by virtue of the fact that they are no longer exclusive. "Accordingly, it was urged that legal protection was appropriate to protect against the 'gradual whittling away or dispersion of the identity and hold upon the public mind of the mark by its use upon non-competing goods.'" *Restatement (Third) of Unfair Competition* § 25 cmt. b (1995), (*quoting* Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 Harv. L. Rev. 813, 825 (1927)).

In response to this problem, the States (beginning with Massachusetts in 1947) began to enact laws designed to provide the owners of famous trademarks with protection against loss of distinctiveness in the absence of the likelihood of confusion required to establish infringement. These "anti-dilution" statutes were intended to give the owners of famous marks the right to enjoin the use by others of their marks (or similar marks) without regard to similarity of products or services or the need to prove likelihood of confusion. *See Restatement (Third) of Unfair Competition* § 25 cmt b.

In 1977, the New York Court of Appeals issued an influential decision recognizing the need for protection against the "cancer-like growth of dissimilar products or services which feeds upon the business reputation of an established distinctive trade-mark or name." *Allied Maintenance Corp. v. Allied Mechanical Trades, Inc.*, 369 N.E.2d 1162, 1165 (N.Y. 1977); *see also Restatement (Third) of Unfair Competition* § 25 cmt. b (1995). By 1996, slightly more than half the States recognized a cause of action for trademark dilution.

State law recognizes dilution when consumers "make a mental connection between the plaintiff's mark and the designation used by the defendant"; the "harm at issue is a blurring of the mental associations evoked by the mark." *Restatement (Third) of Unfair Competition* § 25 cmt f. Accordingly, judicial decisions applying state dilution statutes have not required the plaintiff to prove actual economic harm. *See, e.g., Polaroid Corp. v. Polaraid, Inc.*, 319 F.2d 830, 836 (7th Cir. 1963) ("The gravamen of a dilution complaint is that the continuous use of a mark similar to plaintiff's works an inexorably adverse effect upon the distinctiveness of the plaintiff's mark.") (internal quotation and citation omitted); *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Celozzi-Ettelson Chevrolet, Inc.*, 855 F.2d 480, 484 (7th Cir. 1988) (The "underlying premise of the anti-dilution doctrine" is that dilution is "unlike the immediate, and often measurable, injury caused by confusion.").

The Federal Trademark Dilution Act. Because only about half the States had enacted trademark dilution laws, Congress considered enactment of a federal dilution statute to afford uniform protection on a national basis to owners of famous marks. Several years of deliberation culminated in enactment of the FTDA, which amended the Lanham Act to provide that

> [t]he owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark.

Lanham Act § 43(c)(1), 15 U.S.C. § 1125(c)(1). Congress defined "dilution" as

the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of –

(1) competition between the owner of the famous mark and other parties, or

(2) likelihood of confusion, mistake, or deception.

Lanham Act § 45, 15 U.S.C. § 1127.

Protection against trademark dilution under the FTDA applies only to "famous" marks.[3] The remedy for dilution is limited to an injunction "unless the person against whom the injunction is sought willfully intended to trade on the owner's reputation or to cause dilution of the famous mark." Lanham Act § 43(c)(2), 15 U.S.C. § 1125(c)(2). In that event, the plaintiff may receive "the remedies set forth in sections 35(a) and 36" of the Lanham Act, 15 U.S.C. §§ 1117(a), 1118, which include damages and an accounting of the defendant's profits, "subject to the discretion of the court and the principles of equity." *Id.*

Congress enacted the FTDA based on its determination that "[a] federal dilution statute is necessary because famous marks ordinarily are used on a nationwide basis and dilution protection is currently only available on a patch-quilt system of protection, in that only approximately 25 states have laws that prohibit trademark dilution." H.R. Rep. No. 104-374, at 3 (1995). The legislative report that accompanied the FTDA shows that Congress's definition of "dilution" drew on the existing body of case law applying state dilution statutes.

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[3] The Act includes a non-exhaustive list of eight factors that a court may consider in determining whether a mark is famous. *See* Lanham Act § 43(c)(1), 15 U.S.C. § 1125(c)(1).

First, the Report states that federal protection against trademark dilution "applies when the unauthorized use of a famous mark reduces the public's perception that the mark signifies something unique, singular, or particular." *Id.* The Report quotes directly from a decision applying state dilution law to explain the difference between dilution and infringement:

> Dilution is an injury that differs materially from that arising out of the orthodox confusion. Even in the absence of confusion, the potency of a mark may be debilitated by another's use. This is the essence of dilution. Confusion leads to immediate injury, while dilution is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark.

Id. (*quoting Mortellito v. Nina of California, Inc.*, 335 F. Supp. 1288, 1296 (S.D.N.Y. 1972)).

Second, the Report provides examples of trademark dilution drawn from the legislative history of the New York dilution statute: "the use of DUPONT shoes, BUICK aspirin, and KODAK pianos would be actionable under this legislation." *Id.* at 3.[4] *Third*, the Report states that the definition of dilution in the FTDA "is designed to encompass all forms of dilution recognized by the courts" applying state law. *Id.* at 8. *Fourth*, the Report states that "it is to be expected that a federal dilution statute should . . . coexist with state dilution law." *Id.* at 4.

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[4] *See also Sally Gee, Inc. v. Myra Hogan, Inc.*, 699 F.2d 621, 625 (2d Cir. 1983) (discussing New York law).

SUMMARY OF ARGUMENT

The Sixth Circuit correctly rejected the Fourth Circuit's interpretation of the FTDA, which precludes owners of famous marks from obtaining injunctive relief unless they can show actual economic harm to the value of the famous mark. The Fourth Circuit acknowledged that its interpretation does not "leap . . . immediately from the statutory text." 170 F.3d at 453. The statutory text does not refer to "actual economic harm" or "economic value." Instead, the words Congress chose to define "dilution" are taken from the statutory definition of a "trademark," which must have the capacity "to identify and distinguish" goods or services. The statutory language clearly indicates that dilution turns on consumer perceptions of uniqueness, not on whether the owner of the famous mark can prove actual economic harm.

It is true that Congress chose to provide a remedy when the defendant "causes dilution," rather than when there is a "likelihood of dilution." But Congress defined "dilution" as "a lessening of the *capacity* of a famous mark to identify and distinguish goods and services," thus indicating that actual, consummated economic harm is not an element of dilution. Requiring plaintiffs to make a showing of actual economic harm is also contrary to the legislative history, which clearly recognizes that dilution generally does not lead to an immediate injury, and indicated an intent to draw on an existing body of judicial decisions interpreting dilution under state law.

Requiring proof of actual economic harm conflicts with a basic principle of trademark law (and, indeed, of intellectual property law generally) that the owner need not show economic harm in order to prevail. This is illustrated by so-called "reverse confusions" cases, in which the first user of a mark is entitled to prevail even though it may

benefit economically from the second user's extensive promotion of the mark.

The FTDA expressly provides that plaintiffs are entitled to injunctive relief "subject to the principles of equity." 15 U.S.C. § 1125(c)(1). Requiring proof of actual economic harm conflicts with a basic principle of equity, that "an injunction may issue to prevent future wrong, although no right has yet been violated." *Swift & Co. v. United States*, 276 U.S. 311, 315 (1928).

Requiring owners of famous marks to show actual economic harm effectively nullifies the statute, because it is exceedingly difficult to prove that trademark dilution has caused actual economic harm, particularly in the early stages of a third party's dilutive use. Ironically, the FTDA as interpreted by the Fourth Circuit may actually provide *less* protection for famous trademarks than an ordinary claim for infringement.

The Sixth Circuit correctly held that Respondent was not required to show actual economic harm in order to prevail on its claim for trademark dilution. The Sixth Circuit reasonably concluded that this case presents a classic instance of dilution by "tarnishing" the famous mark as well as by "blurring" its distinctiveness.

ARGUMENT

A. Limiting Relief Under The FTDA To Cases In Which The Owner Of A Famous Mark Can Show Actual Economic Harm Is Contrary To The Language And Purpose Of The FTDA.

Requiring owners of famous trademarks to prove "actual economic harm" to the "economic value" or "selling power" of the famous mark as a precondition for injunctive relief under the FTDA, 170 F.3d at 461, is contrary to both the language and purpose of the Act. The Sixth Circuit

correctly held that the FTDA imposes no such requirement, and the Fourth Circuit erred in ruling to the contrary.

Congress defined dilution as "the lessening of the capacity of a famous mark to identify and distinguish goods or services." Lanham Act § 45, 15 U.S.C. § 1127. The Fourth Circuit acknowledged that its interpretation "surely does not leap fully and immediately from the statutory text." 170 F.3d at 453. In fact, it bears *no* relation to the statutory text, which does not contain the terms "actual economic harm," "economic value," or "selling power."

The Fourth Circuit's departure from the statutory language is particularly startling because the words Congress chose to define "dilution" are not new to trademark law. They appear prominently in the statutory definition of "trademark" itself. The defining characteristic of a trademark under the Lanham Act is its ability "*to identify and distinguish . . . goods*." Lanham Act § 45, 15 U.S.C. § 1127 (emphasis added).[5] As this Court has explained, a mark must be "capable of distinguishing the applicant's goods from those of others." *Two Pesos*, 505 U.S. at 768 (*citing* 15 U.S.C. § 1052); *see also Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 162-63 (1995) (same). By defining dilution as a "lessening of the capacity of a famous mark to identify and distinguish goods or services," Congress linked the definition of trademark dilution to the definition of a trademark and authorized a judicial remedy if the defendant's mark causes a lessening of the capacity of a famous mark to identify and distinguish the goods or services for which the mark is famous.

Established trademark law recognizes many gradations of distinctiveness above the minimal level

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[5] *See also id.* ("service mark" must possess ability "*to identify and distinguish . . . services*.") (emphasis added).

necessary to qualify for registration as a trademark. At one end of the spectrum are famous marks, which have achieved a very high degree of distinctiveness.[6] It is precisely these famous marks that Congress recognized as meriting additional protection under the FTDA. At the other end of the spectrum, "a mark that is hemmed in on all sides by similar marks on similar goods cannot be very 'distinctive.' It is merely one of a crowd of marks. In such a crowd, customers will not likely be confused between any two of the crowd and may have learned to carefully pick out one from the other." 2 McCarthy, *supra*, § 11:85. Thus, the statutory language chosen by Congress to define dilution has a clear meaning: Dilution turns on consumer perceptions of uniqueness, not on whether the owner of the famous mark is able to prove actual economic harm. *Cf. San Francisco Arts & Athletics, Inc. v. United States Olympic Comm.*, 483 U.S. 522, 539 (1987) (recognizing, in a non-FTDA context, that "unauthorized uses, even if not confusing, nevertheless may [cause] harm . . . by lessening the distinctiveness and thus the commercial value of the marks.") (citation omitted).

In rejecting this straightforward interpretation of the statutory text, the Fourth Circuit relied principally on an argument that the FTDA provides a remedy for "dilution" rather than "for the mere 'likelihood of dilution' proscribed by the state statutes." 170 F.3d at 458. There are at least three flaws in the Fourth Circuit's reasoning. *First*, the fact

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[6] *See* Lanham Act § 43(c)(1)(A), 15 U.S.C. § 1125(c)(1)(A) (in determining whether a mark is famous for purposes of the FTDA, courts may consider the mark's "degree of inherent or acquired distinctiveness"); *James Burrough Ltd. v. Sign of the Beefeater, Inc.*, 540 F.2d 266, 276 (7th Cir. 1976) ("A mark that is strong because of its fame or its uniqueness, is more likely to be remembered and more likely to be associated in the public mind with a greater breadth of products or services, than is a mark that is weak because relatively unknown or very like similar marks.")

that Congress chose to provide a remedy for "dilution" rather than for the "likelihood of dilution" says nothing about the meaning of "dilution" itself. *Second*, Congress defined dilution as "a lessening of the *capacity* of a famous mark to identify and distinguish goods and services," thus indicating that actual, consummated economic harm is not an element of dilution. *See id.* at 461 n.6 (acknowledging that "[p]erhaps the leading treatise in the general field says flatly that '[t]he [federal Act] does not require proof of an actual lessening of the strength of the famous mark; only that there is a lessening of the capacity or the ability of the mark to be strong as a commercial symbol and identifier'") (*citing* 3 McCarthy, *supra*, § 24:94). *Third*, the Fourth Circuit was simply incorrect in assuming that state dilution laws uniformly include the "likelihood of dilution" language.[7] In fact, the dilution laws of at least 14 states – more than half of those that have dilution statutes – do *not* contain such language.[8]

Petitioners correctly note that relief is available under the FTDA when the defendant "causes" dilution. Pet. Br. 22-

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[7] The Fourth Circuit regarded this language as "the most significant feature of [state] antidilution statutes," Pet. App. 18a, and failed to acknowledge anywhere in its opinion that not all state statutes contain such language.

[8] Of these 14 state statutes, 13 contain language that is virtually identical to that of the FTDA. *See* Ariz. Rev. Stat. § 44-1448.01 (1998); Conn. Gen. Stat. § 35-11i (1999); Idaho Code § 48-513 (Michie 1998); 765 Ill. Comp. Stat. 1036/65 (West 1998); Iowa Code § 548.113 (1998); Minn. Stat. § 333.285 (1998); Miss. Code Ann. § 75-25-25 (1998); N.J. Stat. Ann. § 56:3-13.20 (West 1998); N.M. Stat. Ann. § 57-3B-15 (Michie 1998); S.C. Code Ann. § 39-15-1165 (Law. Co-op. 1998); Wash. Rev. Code § 19.77.160 (2002); W.Va. Code § 47-2-13 (1998); Wyo. Stat. Ann. § 40-1-115 (Michie 1998). The other state statute is Alaska Stat. § 45.50.180 (Michie 1998) ("A registrant that owns a mark that is famous in the state is entitled to an injunction against another's dilution of the mark.").

28 (*quoting* 15 U.S.C. § 1125(c)(1)). But the causation requirement does not alter the plain meaning of "dilution," which is defined in the statute as a "lessening of the *capacity* of a famous mark to identify and distinguish goods or services." (Emphasis added). In particular, it does not suggest, let alone require, that proof of actual economic injury, as opposed to simple loss of distinctiveness, is an element of dilution.

Relying on the Fourth Circuit's decision in *Ringling Bros.*, Petitioners equate Congress's definition of dilution with "actual harm to a mark's selling power." Pet. Br. 34-35. Congress did not use the term "selling power" in the FTDA and thus the statute itself provides no support for defining dilution in this way. But even assuming that it did, there is no basis for concluding that an injury to "selling power" presupposes an actual economic injury. Although some courts have referred to dilution as injury to a mark's "selling power," these cases have not required proof that the economic value of the mark has been diminished.[9]

The Fourth Circuit's requirement that the owner of a famous mark must show actual economic injury to qualify for relief under the FTDA is flatly inconsistent with the legislative understanding that dilution does not "lead[ ] to immediate injury," but instead "is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark." H.R. Rep. No. 104-374, at 3 (1995) (*quoting Mortellito*, 335 F. Supp. at 1296). The Fourth Circuit's standard renders owners of famous marks powerless to stop the infection before it spreads. *See also* 3 McCarthy, *supra*, § 24:94 ("The theory of dilution by blurring is that if one small user can blur the sharp focus of the famous mark to

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[9] *See, e.g., I.P. Lund Trading ApS v. Kohler Co.*, 163 F.3d 27, 49 (1st Cir. 1998); *Sally Gee*, 699 F.2d at 624-25.

uniquely signify one source, then another and another small user can and will do so. Like being stung by a hundred bees, significant injury is caused by the cumulative effect, not by just one.").

The Fourth Circuit also departed from congressional intent by drawing a sharp distinction between dilution under the FTDA and dilution under state law. In enacting the FTDA, Congress drew directly on the existing body of judicial decisions interpreting state dilution law, and did not intend federal dilution law to be narrower than state dilution law. *See supra* pp. 6-7.

Of equal significance, the FTDA bars plaintiffs from obtaining relief under state dilution laws if the defendant's mark is federally registered. Lanham Act § 43(c)(3), 15 U.S.C. § 1125(c)(3). Under the Fourth Circuit's interpretation of dilution, this preemption provision would actually *reduce* the protection afforded to famous trademarks in certain cases. Once the junior user acquires a federal registration, the protection formerly available under state dilution law would no longer be available either under state law (which would be preempted) or under the FTDA (which under the Fourth Circuit's view is "confine[d]. . . to a more narrow scope than that generally accorded . . . to state-law dilution claims," 170 F.3d at 458-59). Congress enacted the FTDA to provide famous marks with national protection of the same type that is provided by statutes enacted by many, but not all, of the States. Congress gave no indication that it intended the FTDA to cut back on the protection available to owners of famous marks. Yet the FTDA's preemption provision will have precisely that effect under the Fourth Circuit's interpretation espoused by petitioners.[10]

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[10] Petitioner's brief ignores the legislative history of the FTDA but contends that the legislative history of the Trademark Amendments Act (...continued)

While the FTDA specifically addressed certain issues on which state law varied or was unclear (*e.g.*, whether dilution laws apply to non-famous marks and to situations in which there is competition between the plaintiff and the defendant), there is no ambiguity on the point at issue in this case. *No* state requires proof of actual economic harm as an element of dilution. And the language of the FTDA and its legislative history leave no doubt that a showing of actual economic injury is *not* an element of dilution under the FTDA. The Sixth Circuit was clearly correct in rejecting the Fourth Circuit's conclusion to the contrary.

B. The Standard Advanced By Petitioners Conflicts With A Basic Principle Of Trademark Law.

The Fourth Circuit's interpretation advanced by petitioners here – that proof of actual economic harm is an element of trademark dilution under the FTDA – conflicts with the fundamental principle that a trademark owner is not required to prove actual economic harm in order to prove a violation of its trademark rights. It is well established that a plaintiff asserting a trademark infringement or unfair competition claim under the Lanham Act is not required to prove any actual economic harm in order to prevail. As the First Circuit stated in *Societe Des Produits Nestle, S.A. v.*

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of 1999 ("TAA"), Pub. L. No. 106-43, 113 Stat. 218 (1999), enacted four years later in 1999, shows that Congress approved the Fourth Circuit's interpretation of the FTDA. Pet. Br. 28. This argument is without merit not only because the legislative history of the TAA provides no support for this conclusion but also because the legislative history of a subsequently enacted statute does not provide a reliable basis for interpreting earlier legislation. *Mackey v. Lanier Collection Agency & Serv., Inc.*, 486 U.S. 825, 839 (1980); *United States v. Price*, 361 U.S. 304, 313 (1960).

Casa Helvetia, Inc., 982 F.2d 633, 640 (1st Cir. 1992), "the Lanham Act contains no such proof-of-injury requirement."

One of the remedies for trademark infringement and unfair competition (as well as for trademark dilution when the defendant acts with "willful intent") is an accounting of the defendant's profits. *See* 15 U.S.C. § 1117(a). The accounting remedy has been justified on grounds of deterrence and avoiding unjust enrichment, as well as on the ground that the difficulty of proving damages even in a trademark infringement case justifies a presumption that the defendant's profits were derived entirely from sales that would have been made by the plaintiff but for the defendant's infringement. *See Restatement (Third) of Unfair Competition* § 37 cmt b; 5 McCarthy, *supra*, § 30:59.[11]

So-called "reverse confusion" cases provide a striking illustration of the principle that proof of a trademark violation does not require proof of actual economic harm. "Reverse confusion" occurs when a second user of a mark promotes it to such an extent that it overwhelms the first (usually smaller) user, so that consumers come to associate the mark with the second user. *Restatement (Third) of Unfair Competition* § 20. "Reverse confusion does not ordinarily threaten a direct diversion of trade from the trademark owner; indeed, the owner's sales may benefit to some extent from the infringer's promotion of the mark." *Id.* cmt. f. Nevertheless, the prior user need not show economic harm in

[11] Owners of copyrights and patents, like trademark owners, are not required to prove actual economic harm as a precondition for relief. A plaintiff may prevail under the Copyright Act "regardless of the adequacy of the evidence offered as to his actual damages . . . and even if he intentionally declined to offer such evidence, although it was available." 4 Melville B. Nimmer & David Nimmer, *Nimmer on Copyrights* § 14.04[a] (1999) (footnotes omitted). Similarly, a patent owner need not prove that it has been damaged in order to prevail under the Patent Act. *See* 7 Donald S. Chisum, *Chisum on Patents* § 20.03[3][i] (1993).

order to prevail in a reverse confusion case, and prior users have recovered substantial monetary awards without proving that they suffered any lost sales. *See, e.g., Big O Tire Dealers, Inc. v. Goodyear Tire & Rubber Co.*, 408 F. Supp. 1219 (D. Colo. 1976), *aff'd and award modified*, 561 F.2d 1365 (10th Cir. 1977). The Fourth Circuit departed from this principle by holding that trademark dilution, unlike other trademark claims under the Lanham Act, requires the plaintiff to prove that it has suffered actual economic harm.

There is also no principled basis upon which the Fourth Circuit could decline to extend its "actual, economic harm" standard to all claims under the FTDA. The FTDA draws no distinction between third party use of a mark identical to the famous mark and use of a very similar mark. Thus, under the Fourth Circuit's interpretation relied upon by Petitioners, a plaintiff seeking an injunction to halt an "identical replication" of a famous mark, 170 F.3d at 459 n.5, such as DUPONT shoes and KODAK pianos, would be required to show actual economic harm. This result is plainly contrary to the congressional understanding that such uses are "actionable." H.R. Rep. No. 104-374, at 3. Similarly, the FTDA draws no distinction between different types of dilution, and therefore the Fourth Circuit's rigid proof requirement applies not only to dilution by "blurring" but also to dilution by "tarnishing," *e.g.*, use of a famous mark in connection with a pornographic Web site.

C. The Interpretation Advanced By Petitioners Conflicts With A Basic Principle Governing Injunctive Relief.

As noted above (p. 5), Congress provided that the primary remedy for trademark dilution is an injunction. The Fourth Circuit's requirement espoused by Petitioners that the plaintiff show "actual, consummated dilutive harm," 170 F.3d at 464, conflicts with the fundamental principle that an injunction is designed to prevent harm before it occurs.

It is firmly established that "an injunction may issue to prevent future wrong, although no right has yet been violated." *Swift & Co.*, 276 U.S. at 315. "The sole function of an action for injunction is to forestall future violations," and therefore injunctions are wholly "unrelated to punishment or reparations for [injuries] past." *United States v. Oregon State Med. Soc'y*, 343 U.S. 326, 333 (1952). *See generally Black's Law Dictionary* 784 (6th ed. 1990) (injunction "is a preventive and protective remedy, aimed at future acts, and is not intended to address past wrongs").

The FTDA expressly provides that owners of famous marks "shall be entitled" to injunctive relief "subject to the principles of equity." Lanham Act § 43(c)(1), 15 U.S.C. § 1125(c)(1). The Fourth Circuit ignored this statutory language and departed from a basic principle of equity by holding that preventing future harm is not a sufficient basis for injunctive relief under the FTDA. Instead, the Fourth Circuit requires proof of "actual harm to the senior mark's selling or advertising power[s]." 170 F.3d at 463. The decision on which Petitioners rely thus withholds a form of relief that is generally available under "principles of equity" to prevent harm, and instead denies all relief until after the owner of a famous mark can prove that the harm has already occurred.[12]

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[12] In its amicus brief at 14-16, the United States contends that the Trademark Amendments Act (TAA) of 1999, *supra*, n. 10, shows that the FTDA does not authorize injunctive relief "for prospective dilution alone" but only "where some dilution has already occurred." *Id.* The United States mistakenly draws this conclusion from the fact that the TAA authorizes the United States Patent & Trademark Office (PTO) to refuse to register, and to cancel the registration of, any mark "which when used would cause dilution", arguing that, in contrast to the "causes dilution" language of the FTDA, the "which when used" language of the TAA shows that "Congress intended to channel claims of prospective dilution to PTO, and to limit judicial relief to cases where some dilution has already occurred." *Id.* at 15-16. This argument is untenable. The (...continued)

D. Interpreting The FTDA To Require A Showing Of Actual Economic Injury Renders The Statute A Virtual Nullity.

The Fourth Circuit's interpretation of "dilution" is so narrow that it effectively interprets the FTDA out of existence. In the view of Professor McCarthy, the Fourth Circuit's approach "deals a 'real body blow' to the [FTDA] and makes it very difficult to prove a case."[13]

Proving actual economic harm is quite difficult in the context of trademark infringement; in the context of trademark dilution it is impossible, or nearly so. As the Seventh Circuit has explained, "the very nature of dilution, insidiously gnawing away at the value of a mark, makes the injury 'remarkably difficult to convert into damages.' . . . The lack of confusion . . . establish[es] the unquantifiable . . . nature of the injury. Without a likelihood of confusion, there is no effective way to measure the loss of audience or potential growth." *Celozzi-Ettelson*, 855 F.2d at 484 (internal citation omitted).

One of the decisions applying the Fourth Circuit's standard provides an apt illustration of its practical effect. The district court held that the plaintiff was not entitled to relief under the FTDA because it could not supply "the hard

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PTO deals *only* with whether a mark should be *registered*, not with whether a mark actually infringes or dilutes someone else's mark. The mere *registration* of a mark, in itself, cannot possibly infringe or dilute someone else's mark; it is only the *use* of a mark that may cause infringement or dilution. Congress' use of the "which when used" language in the TAA thus merely reflects Congress' recognition of this obvious fact and does not in any way suggest the conclusion reached in the United States' brief.

[13] *Fourth Circuit Requires Proof of Actual Harm to Trademarks' Value to Sustain Dilution Claim*, Intell. Prop. Lawcast (Vox Juris Inc.), Apr. 12, 1999, at 3.

proof of actual economic harm that *Ringling Brothers* demands." *World Gym Licensing, Ltd. v. Fitness World, Inc.*, 47 F. Supp. 2d 614, 625 (D. Md. 1999). Ironically, the court held that the plaintiff *had* submitted adequate proof of trademark infringement. Thus, the interpretation of the FTDA that Petitioners urge this Court to adopt actually provides *less* protection for famous marks than an ordinary claim for infringement, a result diametrically opposite to Congress's objective.

E. The Sixth Circuit's Holding Is Based On A Proper Application Of The FTDA.

For the reasons set out above, the Sixth Circuit correctly rejected the holding of the Fourth Circuit, on which Petitioners rely, that injunctive relief is precluded under the FTDA unless the owner of a famous mark can prove that the defendant's mark has already caused actual economic harm to the famous mark's "selling power." The Sixth Circuit properly focused instead on whether Petitioners' mark had caused dilution of the famous "Victoria's Secret" mark within the meaning of the statute's definition of dilution, *i.e.*, whether Petitioners' mark caused "the lessening of the capacity of [the] famous mark to identify and distinguish goods or services . . . ." 15 U.S.C. § 1127. *See V Secret Catalogue, Inc. v. Moseley*, 259 F.3d 464, 476 (6th Cir. 2001) ("the right to be protected is in a mark's distinctiveness"). The answer to that question may be determined by whether consumers who have been exposed to Petitioners' mark would associate Respondents' "Victoria's Secret" mark not only with the kinds of products and chain of stores for which that mark is famous but also with the kinds of products and store that bear Petitioners' "Victor's Little Secret" mark. As stated by the United States in its amicus brief at 22:

> If consumers who are not aware of the junior mark identify only products made by the owner of the famous mark, while consumers who are aware of the junior mark identify products made by both the owner of the famous mark *and* products made by the owner of the junior mark, an inference of dilution may be warranted.

The United States suggests that a survey could have been used to prove dilution.[14] Of course, survey evidence is not the only way to show that consumers who are familiar with Petitioners' mark would associate Respondent's famous mark not only with Respondents' products and stores but also with Petitioners' products and store. As the Second Circuit pointed out in *Nabisco, Inc. v. P.F. Brands, Inc.*, 191 F.3d 208 (2d Cir. 1999), and as most courts have recognized, analysis of relevant contextual factors may also provide an appropriate basis for such a finding.

The Sixth Circuit expressly adopted this approach, noting that "the Second Circuit has developed a list of ten factors used to determine if dilution has, in fact, occurred . . . ." 259 F.3d at 476. Applying the *Nabisco* factors it deemed particularly relevant to the facts of this case, the Sixth Circuit properly found that use of Petitioners' mark

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[14] Contrary to the Fourth Circuit's decision in *Ringling Bros.*, the results of plaintiff's survey in that case warranted an inference of dilution under this standard. The Ringling survey was administered to consumers in Utah, where the defendant's mark had been used, and also outside Utah, where it had not been used. Respondents were asked with what word or words they would fill in the blank in the statement THE GREATEST _____ ON EARTH and with whom or what they associated the completed statement. The results showed that *outside* Utah 41% filled in only the word SHOW and associated the completed statement only with the Circus, and fewer than 0.5% also filled in the word SNOW and also associated the completed statement with Utah, but *inside* Utah 21% filled in both the word SHOW and the word SNOW and associated the completed statements with the Circus and with Utah. 170 F.3d at 462.

presented "a classic instance of dilution by tarnishing (associating the Victoria's Secret name with sex toys and lewd coffee mugs) and by blurring (linking the [Victoria's Secret] chain with a single, unauthorized establishment)."

CONCLUSION

The Sixth Circuit's decision should be affirmed.

Respectfully submitted,

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No. 01-1015

In the Supreme Court of the United States

VICTOR MOSELEY, ET AL.,
Petitioners,

v.

V SECRET CATALOGUE, INC., ET AL.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

BRIEF FOR INTEL CORPORATION AS AMICUS CURIAE SUPPORTING RESPONDENTS

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INTEREST OF AMICUS CURIAE

This brief *amicus curiae* in support of Respondents is submitted by Intel Corporation pursuant to Rule 37 of the Rules of this Court. Intel urges this Court to affirm the Sixth Circuit's judgment of dilution under the Federal Trademark Dilution Act of 1995, Pub. L. 104-98, codified at 15 U.S.C. §§ 1125(c) & 1127 [*hereinafter* the "FTDA" or the "Act"].[1]

Intel Corporation is the owner of the famous trademarks INTEL, INTEL INSIDE & Design, and PENTIUM. The INTEL brand is regularly ranked among the top 10 most valuable brands in the world, along with other famed brands Coca-Cola, Microsoft, IBM and GE.[2] Over the last decade, Intel has invested over $10 billion in programs to promote, and build brand awareness and preference for, INTEL, INTEL INSIDE, and PENTIUM branded products.

Because these trademarks are so well known and have garnered such immense goodwill, Intel faces a great many diluting and infringing uses of its famous marks. Intel has well over a thousand active enforcement matters pending worldwide. Hundreds of these matters involve companies that have adopted wholesale INTEL or PENTIUM as the dominant and distinctive element of their

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1 Letters from the parties consenting to the filing of this brief have been filed with the Clerk. No counsel for a party authored this brief, in whole or in part, and no person or entity other than *amicus curiae*, or its counsel, made a monetary contribution to its preparation or submission.

2 *See, e.g.*, Gerry Khermouch, *The Best Global Brands*, BUS. WK., Aug. 5, 2002, at 92-99; Gerry Khermouch, *The Best Global Brands*, BUS. WK., Aug. 6, 2001, at 50-64; Richard Tomkins, *Marketing the World's Top 75 Brands*, FIN. TIMES, July 18, 2000, at 17; FIN. WORLD, Sept./Oct. 1997, at 62-70; FIN. WORLD, Sept. 1, 1993, at 40-50.

company name, including: Pentium Construction, Inc.; Pentium Financial Services, LLC; Pentium Investment Advisors, LLC; and Pentium Electrical Services.

If in every FTDA case Intel had to prove "actual economic harm," as required by the Fourth Circuit in *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Development*, 170 F.3d 449, 459 (4th Cir. 1999), and as advocated by the petitioners, Intel's famous marks likely would be heavily diluted long before Intel could successfully bring a dilution cause of action.

Many companies using Intel's famous INTEL or PENTIUM trademarks are small companies whose use will not be highly visible to a large number of consumers, and thus generally will not create the degree of harm that would result in the measurable economic harm required by the Fourth Circuit, such as lost sales or a measurable decline in brand value. And because each court may look only at the specific matter before it, no single court would or could see the larger volume of dilution taking place. Such uses nevertheless cause actual dilution of Intel's marks by "reducing the public's perception that the mark signifies something unique, singular, or particular." H.R. REP. NO. 104-374, at 3 (1995), *reprinted in* 1995 U.S.C.C.A.N. 1029, 1030. By requiring that a famous mark owner wait until economic damage can be clearly measured, the Fourth Circuit standard would make proof of dilution nearly impossible, rendering the FTDA meaningless in most cases, thus contravening Congress's intent.

SUMMARY OF ARGUMENT

The plain language of the FTDA is clear that the defendant's use must "cause[] dilution" and that dilution is "the lessening of the capacity of a famous mark to identify and distinguish goods or services." This lessening occurs

when the junior user's mark reduces the public's perception that the mark signifies something unique, singular, or particular. Neither the plain language of the FTDA nor the House Report on the FTDA requires, mentions, or even suggests that dilution occurs only after there is actual economic harm to the advertising value of the mark.

From a proper understanding of the term "dilution," it becomes clear that actual dilution occurs when consumers, upon seeing the junior mark, associate the junior use with the senior, famous mark, even if they do not confuse the two companies. The requisite mental association may be inferred from traditional kinds of relevant "market factor" evidence familiar to the courts from their use in providing inferential proof of infringement. Survey evidence might also be a useful, though not required, form of proof of dilution. Proof of actual, measurable economic harm is not required.

ARGUMENT

I. THE FTDA'S PLAIN LANGUAGE AND LEGISLATIVE HISTORY PROHIBIT COMMERCIAL USE OF A MARK THAT "*CAUSES*" THE "*LESSENING OF THE CAPACITY* OF A FAMOUS MARK TO IDENTIFY AND DISTINGUISH GOODS OR SERVICES," WITHOUT REQUIRING ACTUAL ECONOMIC HARM TO THE MARK'S OWNER.

By its express terms, the FTDA protects the holder of a famous mark from commercial use of the mark that "*causes dilution* of the distinctive quality of the mark." 15 U.S.C. § 1125(c)(1) (emphasis added). In turn, the Act explicitly defines "dilution" to "mean[] *the lessening of the capacity* of a famous mark to identify and distinguish goods or services ...." 15 U.S.C. § 1127 (emphasis added). There is no additional requirement of present, actual, and demonstrable

economic harm to the holder in order to establish dilution of the mark.

A. The FTDA's Text and History Establish That "Dilution" Is "Caused" When There Is a "Lessening of the Capacity" of The Mark to Identify and Distinguish Goods.

In statutory construction, the first and principal inquiry is to look to the language of the statute. Where that language is clear, it must ordinarily be regarded as conclusive. *E.g., Reves v. Ernst & Young*, 507 U.S. 170, 177 (1993); *United States v. Turkette*, 452 U.S. 576, 580 (1981). In analyzing statutory language, the Court proceeds with the "understanding that Congress says in a statute what it means and means in a statute what it says ...." *Hartford Underwriters Ins. Co. v. Union Planters Bank, N.A.*, 530 U.S. 1, 6 (2000) (citation omitted).

In this case, the language chosen by Congress is clear. The FTDA creates a cause of action against unauthorized "commercial use" of a famous mark if such use "causes dilution of the distinctive quality of the famous mark." 15 U.S.C. § 1125(c)(1). Furthermore, the FTDA expressly defines dilution as "the lessening of the capacity of a famous mark to identify and distinguish goods or services." 15 U.S.C. § 1127. By defining "dilution" in terms of the "lessening" of the mark's "capacity" to identify and distinguish goods, Congress made clear that the FTDA is violated when there is any reduction or impairment of the mark's ability to identify and distinguish the goods of the mark's holder. That is what the Act plainly requires, and it is all that the Act requires. There is no basis—not even a hint—of any further requirement that, in addition to diluting the mark's identifying character, the defendant's use must also have already caused a present, actual, and demonstrable economic harm to the mark's holder. It is

"dilution" of the mark's identifying "capacity," not current and provable economic harm from the dilution, that is the FTDA's touchstone.

The legislative history confirms the plain meaning of the statutory text. As this Court has recognized, committee reports are considered an "authoritative source for finding the Legislature's intent." *Garcia v. United States*, 469 U.S. 70, 76 (1984). Here, the Report of the House Judiciary Committee, H.R. REP. NO. 104-374 (1995), *reprinted in* 1995 U.S.C.C.A.N. 1029, expressly states that dilution occurs "when the unauthorized use of a famous mark *reduces the public's perception* that the mark signifies something *unique, singular, or particular*." *Id.* at 3, 1995 U.S.C.C.A.N. at 1030 (emphasis added). Thus, Congress intended to protect qualifying marks from *any* unauthorized commercial use that *causes* consumers to associate the junior mark with the senior mark, thus *diluting* the famous mark's *capacity* to be a source identifier. Like the statute itself, this authoritative legislative history contains no suggestion that the holder must already have suffered present, actual, and demonstrable economic harm before dilution of the mark has occurred.

The House Report further states that dilution is "an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark." *Id.* This reflects Congress's concern over the proverbial "death by a thousand cuts" that a holder could suffer through unauthorized use of its mark. In other words, the first unauthorized use of a mark may reduce its ability to identify and distinguish the holder's goods but not yet have caused actual and provable economic harm. Congress thus intended to protect holders from the "first cut" of the impairment of their mark—"dilution"—and not just the "thousandth cut"—the eventual economic harm worked by

the continued impairment of the mark. This first cut—the "infection"—"causes dilution" of the mark, and the mark owner need not await the "inevitabl[e] destr[uction of] the advertising value of the mark" before pursuing the statutory remedy.[3]

The examples in the House Report reinforce this interpretation. Without mentioning any actual economic harm requirement, the Report states that "the use of DUPONT shoes, BUICK aspirin, and KODAK pianos would be actionable under this legislation." *Id.* If Congress meant to require the diminution of the measurable economic worth of the mark, surely it would have explained how these examples of "actionable" dilution fit such a definition, or at least have mentioned such a brand new requirement. But it did neither. Absent any indication that Congress harbored such concerns, the only conclusion to be drawn from these new uses of famous, singular marks is that the examples caused, as the Report states, an "actionable" reduction in uniqueness, singularity, or particularity.

B. The Fourth Circuit Ignores the Statute's Plain Language and Legislative History and Instead, Relying on Inappropriate Sources, Adds a Judicially Created Element that Congress Never Mentioned or Intended.

There is no merit to petitioners' reliance on the incorrect holding of the Fourth Circuit that the term "dilution" should be restricted to require "actual harm to the senior marks' [sic] economic value." *Ringling Bros.*, 170 F.3d at 453; *see also id.* at 461 ("actual economic harm to the famous mark's economic value by lessening its former

3 This congressional concern is borne out by Intel's own experience. (*See supra* pp. 1-2.)

selling power as an advertising agent for its goods or services").[4]

As explained above, the text and history of the Act provide no basis for the judicial imposition of a requirement of actual economic harm; indeed, they foreclose any such reading. In fact, the Fourth Circuit itself conceded that the addition of the "actual economic harm" requirement "does not leap fully and immediately from the statutory text." *See Ringling Bros.*, 170 F.3d at 453; *cf. id.* at 459 (conceding that its actual economic harm standard is "expressed" in the text of the statute only "amorphously"). Despite this acknowledgement, the Fourth Circuit inexplicably ignored the authoritative House Report.

Instead, the Fourth Circuit created a restrictive interpretation of the term dilution based on its analysis of extra-congressional materials, including the origin and development of the concept of dilution beginning with a 1927 law review article. *See id.* at 453-54 (citing Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813 (1927)). Noting that Schechter defined the concept of dilution both by reference to the lessening of the "uniqueness" of the famous mark, *see id.* at 454, 456, and by the "whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use upon non-competing goods," *id.* at 454, the Fourth Circuit catalogued decisions under the various state dilution laws that were enacted intermittently after Schechter's article was published. *See id.* While the court acknowledged repeatedly that these decisions were all but hopelessly inconsistent, it nevertheless concluded that none of these state laws defined

4 *See also Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658, 670-71 (5th Cir. 2000), *cert. denied*, 122 S. Ct. 646 (2001).

dilution in Schechterian form. *See id.* at 456.[5] The Fourth Circuit then imported its interpretation of the various state dilution laws into the FTDA.

The Fourth Circuit failed to recognize that these academic and state-law sources are ultimately irrelevant because Congress, in the text of the statute and House Report, expressly adopted its own federal definition of dilution. Indeed, the House Report contains several statements that contradict the Fourth Circuit's conclusion that the FTDA requires proof of actual economic harm: (1) that dilution occurs "when the unauthorized use of a famous mark reduces the public's perception that the mark signifies something *unique*, singular, or particular," H.R. REP. NO. 104-374, at 3, *reprinted in* 1995 U.S.C.C.A.N. 1029, 1030 (emphasis added); (2) the "DUPONT shoes, BUICK aspirin, and KODAK pianos" examples of uses that "would be actionable under this legislation," *id.*; and (3) the Schecterian characterization of dilution as "an infection which, *if allowed to spread*, will inevitably destroy the advertising value of the mark." *Id.* (emphasis added). All of these statements reflect the intent to make a dilution action available when the diluting use begins; none suggests that dilution plaintiffs must wait until they have endured measurable economic harm to sue.[6]

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5 Contrary to the Fourth Circuit's characterization, many courts had previously cited Schechter with approval. *See, e.g., Mead Data Central, Inc. v. Toyota Motor Sales, U.S.A., Inc.*, 875 F.2d 1026, 1028 (2d Cir. 1989); *Jordache Enters., Inc. v. Hogg Wyld, Ltd.*, 828 F.2d 1482, 1489 (10th Cir. 1987); *L.L. Bean, Inc. v. Drake Publishers, Inc.*, 811 F.2d 26, 30 (1st Cir. 1987).

6 The Fourth Circuit was also wrong as a statutory construction matter. Although this Court has held that "where Congress uses terms that have accumulated *settled meaning* under ... the common law, a court must infer, unless the statute otherwise dictates, that Congress means to incorporate the *established meaning* of these terms," *e.g., Neder v. United States*, 527 U.S. 1, 21 (1999) (emphasis added; citations omitted), the Fourth Circuit *conceded* that this is not such a situation.

C. The Second Circuit's Concerns About the Fourth Circuit's Interpretation Did Not Require Adoption of a "Likelihood of Dilution" Standard.

The Second Circuit subsequently rejected the Fourth Circuit's construction of the term "dilution" and held that the FTDA does not require a showing of "actual, consummated dilution," *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 224 (2d Cir. 1999).[7] In responding to the Fourth Circuit's restrictive standard, the Second Circuit took the approach that the FTDA allows dilution plaintiffs to sue "before the dilution has actually occurred." *Id.* at 225.[8] The

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7 *See also Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 468 (7th Cir. 2000).

8 The Seventh Circuit (and the parties in this case) have apparently taken this to mean that the Second Circuit requires only that a plaintiff prove a "likelihood of dilution" to satisfy the "dilution" requirement, even though the Second Circuit did not use that language. *See, e.g., Eli Lilly*, 233 F.3d at 468 ("We therefore side with the Second Circuit and hold that proof of a mere 'likelihood of dilution' is sufficient to satisfy the 'causes dilution' element of Lilly's case.") The implicit definition of "likelihood of dilution" as "future dilution" is a misnomer. Until the current FTDA debate, the use of the word "likelihood" in state dilution statutes and in Lanham Act infringement cases has *never* been viewed as a temporal concept, *i.e.*, a term that distinguishes actual, consummated harm from future harm that has not yet occurred. Most commonly, courts have used the term "likelihood" in discussions about the *quantum* of proof required to show infringement ("likelihood of confusion"), frequently using the phrase to reject the notion that anecdotal evidence of actual consumer confusion is required proof. *See, e.g.*, RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 23, cmt. d (1995) ("A trademark owner need not prove actual confusion in order to prove a likelihood of confusion ...."); *see also A & H Sportswear Co. v. Victoria's Secret Stores, Inc.*, 166 F.3d 197, 203-06 (3d Cir. 1999) (en banc) (differentiating "likelihood of confusion" as being a "*lower* standard" than "possibility of confusion") (emphasis

Second Circuit justified its view chiefly by noting that the Fourth Circuit's construction precluded dilution plaintiffs from obtaining injunctive relief before any dilution had occurred, instead requiring plaintiffs to wait until they were harmed before they could seek relief. *See Nabisco*, 191 F.3d at 224-25; *see also Eli Lilly*, 233 F.3d at 467-68.[9]

Although the Second Circuit was correctly concerned that this restriction was the logical consequence of the Fourth Circuit's reasoning and would be contrary to congressional intent to stop dilution before it caused harm, the Second Circuit failed to appreciate that preventative injunctions are available under the FTDA because Congress expressly provided for them. 15 U.S.C. § 1125(c)(2), provides that "injunctive relief as set forth in section 34" of the Lanham Act, 15 U.S.C. § 1116,[10] is available in dilution actions, and section 34(a) in turn, provides that courts "shall have the power to grant injunctions, according to the principles of equity ... to *prevent* a violation of subsection ... (c) ... of section 43 [15 U.S.C. § 1125(c)]" (emphasis added).[11]

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added). There is no indication that Congress avoided use of the phrase "likelihood of" because it was concerned that it would be given a temporal connotation that courts had *never* before accorded the phrase.

9 The Second Circuit also noted that the Fourth Circuit definition made proof of dilution extraordinarily difficult. *See Nabisco*, 191 F.3d at 223-24; *Eli Lilly*, 233 F.3d at 468. Whatever the merits of this observation as a *policy* concern, it simply does not support departing from the clear definition of dilution given by Congress.

10 This language was added by the Trademark Amendments Act of 1999, P.L. 106-43, "to clarify Congress' intent" in providing for injunctive relief in the FTDA. *See* H.R. REP. NO. 106-250, 1999 WL 528534, at *6.

11 Indeed, other statutory schemes, similar to the FTDA and Lanham Act provisions, define the wrong using the present tense, yet in their remedial provisions make clear that traditional *preventative* equitable remedies may issue. *See, e.g.*, 35 U.S.C. § 271 (patent infringement: "whoever without authority makes, uses, offers to sell, or sells any patented invention ... infringes the patent") & 35 U.S.C. § 283 ("courts ... may grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by the patent"); 17 U.S.C. § 501(a) (copyright infringement: "[a]nyone who violates any of the exclusive rights of the copyright owner ... is an infringer of the copyright") & 17 U.S.C. § 502 (courts may "grant temporary and final injunctions on such terms as it may deem reasonable to prevent or restrain infringement of a copyright").

This analysis answers any argument that Congress, in section 43(c)(1), meant in any way to preclude courts from issuing preventative injunctions before the alleged diluting activities began. Indeed, it signals just the opposite: that Congress intended to explicitly authorize injunctions to prevent such acts from ever starting.

Even if Congress had not expressly provided for injunctions to prevent dilution, preventative relief would still be available. This Court has held that Congress should not be presumed to have restricted the full scope of the equitable authority of the federal courts unless it is a "necessary and inescapable inference" from the statute's language. *See, e.g., Weinberger v. Romero-Barcelo*, 456 U.S. 305, 313 (1982) (quoting *Porter v. Warner Holding Co.*, 328 U.S. 395, 398 (1946)); *accord Hecht Co. v. Bowles*, 321 U.S. 321, 329 (1944). The courts' equitable authority has long been held to extend to the issuance of "the preventive remedies of equity, by injunction, ... *to anticipate and prevent the threatened wrong*, where the injury would be irreparable, and there is no plain and adequate remedy at law ...." *Hagood v. Southern*, 117 U.S. 52, 71 (1886) (citation omitted; emphasis added); *accord Vicksburg Waterworks Co. v. Mayor & Aldermen of Vicksburg*, 185 U.S. 65, 82 (1902).

For precisely these reasons, the government's *amicus* brief is incorrect in arguing that Congress's definition of

dilution precludes the issuance of injunctions until after dilution has begun. (*See* U.S. Am. Br. at 13-18.) Further, this argument would lead to an absurd result. According to the government's reasoning, "Congress intended to channel claims of prospective dilution to PTO, and to limit judicial relief to cases where some dilution has already occurred." (*Id.* at 15-16.) But the PTO (through the TTAB) is *powerless* to prevent prospective dilution. Its sole statutory authority extends only to deciding what marks may or may not be registered. *See* 15 U.S.C. § 1067. "Nothing the [TTAB] does can prevent parties from using a mark." *Wallpaper Mfrs., Ltd. v. Crown Wallcovering Corp.*, 680 F.2d 755, 766-67 (C.C.P.A. 1982). Even if the PTO were to decide that a proposed new mark should not be *registered* because its future use "would cause" dilution, the mark's owner could nevertheless still lawfully *use* it unless a court enjoined such use. Congress should not be held to have intended prospective dilution to be decided only by a body powerless to stop it. *See, e.g., In re Trans Alaska Pipeline Rate Cases*, 436 U.S. 631, 643 (1978) (courts should not read statute in a way that leads to absurd results).[12]

II. DILUTION OCCURS WHEN THE JUNIOR USE REDUCES THE PUBLIC'S PERCEPTION THAT THE MARK SIGNIFIES SOMETHING UNIQUE, SINGULAR, OR PARTICULAR.

A. The Statutory Text and Legislative History Provide Clear Guidance on the Meaning of the Term "Dilution."

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12 A much more plausible reason for Congress's use of the phrase "would cause" for TTAB cases is that the TTAB is statutorily empowered to decide the *registrability* of marks that have not yet been used—so-called "intent to use" or "ITU" applications. *See* 15 U.S.C. § 1051(b).

The relevant element of an FTDA claim is "causes dilution," which is defined as "the lessening of the capacity of … [the] mark to identify and distinguish goods." (15 U.S.C. § 1127). This statutory definition is reinforced by the House Report's explicit statement that dilution occurs "when the unauthorized use of a famous mark reduces the public's perception that the mark signifies something unique, singular, or particular." H.R. REP. No. 104-374, at 3, *reprinted in* 1995 U.S.C.C.A.N. at 1030. The FTDA thus makes clear that dilution occurs when a junior use causes consumers to associate the junior user's mark with the famous mark.

Other aspects of the House Report confirm this reading of "dilution." Describing dilution as "an *infection* which *if allowed to spread*, will inevitably destroy the advertising value of the mark," *id.* (emphasis added), indicates that the statute aims to stop the dilution "infection" before it spreads. In addition, the examples of actionable dilution ("DUPONT shoes, BUICK aspirin, and KODAK pianos") are all instances where indisputably famous marks are used in a different source-indicating fashion by a third party, thus plainly diminishing the perception of uniqueness, singularity, or particularity these marks previously enjoyed. These examples make clear that even a small, nascent use can dilute. Were a "Kodak Pianos" business to open, consumers in the business's trading area who were exposed to the new usage would perceive the mark KODAK differently than those not exposed to the new usage. Even as to the piano business's first customer, the KODAK mark would no longer uniquely, singularly, and particularly signify the famous camera manufacturer, but would also signify the new piano business. From the very first exposure to the public, the new usage would inevitably reduce the perception that the KODAK mark signified something unique, singular, or particular. This would be the

first cut in the death by a thousand cuts, the single bacillus that starts the destructive "infection." By giving these examples and describing dilution as an infection, Congress clearly signaled its intent to stop unauthorized uses of a famous mark right when they start.

B. The Eighth Circuit and the Trademark Trial and Appeal Board ("TTAB") of the United States Patent and Trademark Office ("PTO") Have Correctly Discerned Congress's Understanding of "Dilution."

The Eighth Circuit and TTAB have correctly discerned Congress's intent in defining "dilution," and have set forth a practical standard for determining whether an unauthorized use of a famous mark is causing a reduction in the public's perception that the mark signifies something unique, singular, or particular. In *Luigino's, Inc. v. Stouffer Corp.*, 170 F.3d 827 (8th Cir. 1999), the Eighth Circuit held that, under the FTDA, "[d]ilution occurs when consumers associate a famous mark that has traditionally identified the mark holder's goods with a new and different source." *Id.* at 832 (citation omitted). The TTAB later adopted the Eighth Circuit's interpretation of the term "dilution" in its decision in *Toro Co. v. ToroHead Inc.*, 61 U.S.P.Q.2d (BNA) 1164, 1182-84 (T.T.A.B. Dec. 12, 2001). Elaborating, the TTAB stated that dilution by blurring "occurs when a substantial percentage of consumers, upon seeing the junior party's use of a mark on its goods, are immediately reminded of the famous mark and associate the junior party's use with the owner of the famous mark, even if they do not believe that the goods come from the famous mark's owner." *Id.* at 1183.[13]

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13 The TTAB's construction in *Toro* was of the term "dilution" by itself, a term whose definition is the same for both the TTAB and the courts. *See*

This standard fully comports with the language of the FTDA and the accompanying House Report. For when a substantial percentage of consumers make that association, it follows that, for those consumers, the famous mark no longer signifies something unique, singular, or particular, thus lessening the capacity of the mark to identify and distinguish goods and services.

C. There Is No Requirement that a Dilution Claimant Prove that Consumers View the Junior and Senior Marks as the Same Mark.

The government's *amicus* brief expresses concern that requiring only association of the senior mark with the junior mark based solely on similarities between the marks would result in a dilution standard that sweeps too broadly. The government takes the position that, even if consumers mentally associate the two marks, dilution has *not* occurred if consumers nevertheless "view the marks as two distinct marks that stand for two entirely different sets of goods and services." (*See* U.S. Am. Br. at 18.)[14] Instead, the government advocates that consumers must perceive the two marks as the same mark for dilution to occur. (*See id.* at 18-20.)

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15 U.S.C. § 1127. The TTAB did not discuss the timing implications, if any, of the use of the different phrases "would be damaged by," 15 U.S.C. § 1063 (applying to registration opposition proceedings before the TTAB), "will be damaged" by dilution, 15 U.S.C. § 1064 (applying to registration cancellation proceedings before the TTAB), or "causes" dilution, *see* 15 U.S.C. § 1125(c)(1) (applying to court proceedings).

14 In this respect, the United States' brief, filed jointly by the Department of Justice and the PTO, appears to take a position more restrictive than that adopted by the PTO in *Toro*, 61 U.S.P.Q.2d at 1183 ("Dilution occurs when consumers associate a famous mark that has traditionally identified the mark holder's goods with a new and different source.") (quoting *Luigino's, Inc.*, 170 F.3d at 832).

There are several problems with this argument. First, it appears to rely on a lack of *confusion* to disprove *dilution*. Such a principle would be inconsistent with the FTDA's express mandate that dilution may occur regardless of "the presence or absence of ... likelihood of confusion." 15 U.S.C. § 1127. Whether a consumer knows the two marks are distinct is irrelevant if the junior mark's presence in the marketplace reduces the public's perception that the mark signifies something unique, singular, or particular.

Moreover, the very examples the government highlights demonstrate that its concern is unfounded. For instance, the government explains that the PEPSI-COLA mark reminds consumers of the COCA-COLA mark, yet should not be considered dilution. But any consumer association between those two marks plainly arises as a result of the identity of the generic COLA portions of the marks and the fact that the two companies are fierce competitors. Mental association arising from unprotectable elements such as generic elements or competition is clearly not the sort of association that the FTDA was intended to protect against. In other words, the FTDA's *causation* requirement addresses this problem.

Using the *Ringling Brothers* facts, the government also argues that the mark GREATEST SNOW ON EARTH may indeed remind consumers of the GREATEST SHOW ON EARTH, yet not constitute dilution because consumers associate the marks with different businesses and goods or services. Extending this example further demonstrates that, regardless of consumers' abilities to keep the products and sources straight, such an example "causes dilution." Assume that every business in the United States began to use the phrase "Greatest _____ on Earth," inserting their own good or service in the blank: "Greatest Wrenches on Earth," "Greatest PCs on Earth," "Greatest Diapers on

Earth," "Greatest Dentist on Earth," "Greatest Yogurt on Earth," "Greatest Hotel on Earth," *etc.* Regardless of consumers' understanding that these were all separate businesses, there would be no question in such circumstances that the "distinctive quality" of the famous GREATEST SHOW ON EARTH mark—its "capacity ... to identify and distinguish," and its "uniqueness, singularity, and particularity"—would thereby have been not only lessened, but altogether destroyed.

This is no different than the House Report's KODAK piano example. Consumers could surely keep straight that KODAK cameras and KODAK pianos are different businesses (*i.e.*, avoid confusion), but the ability to distinguish the two uses and the two businesses is irrelevant to a dilution analysis. Dilution focuses on the lessening of the capacity of the senior mark to distinguish—its uniqueness, singularity, or particularity—and the existence of KODAK pianos plainly has that effect.

Finally, the government's concern that parodies and spoofs of marks would be swept up by the FTDA unless this Court requires something more than simple association based solely on similarity is also unfounded. As explained in more detail in the next section (*see infra* pp. 18-21), such expressive speech finds safe haven in the Act's "noncommercial use" defense. *See* 15 U.S.C. § 1125(c)(4)(B); *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 905-06 (9th Cir. 2002).

D. Proper Construction of the Phrase "Causes Dilution" Will Neither Be Anti-Competitive Nor Conflict with Freedom of Speech.

Petitioners and their supporting *amici* repeatedly warn that any construction of the phrase "causes dilution" that does not require proof of actual, consummated

economic harm will have anti-competitive effects and impinge upon protected commercial speech. The full text of the FTDA and recent Lanham Act case law expose these arguments as no more than alarmist rhetoric.

1. *Concern for Competition Does Not Require Addition of an "Actual Economic Harm" Requirement.*

Petitioners stress that anything less than an actual economic harm requirement would deter competition by resulting in what petitioners pejoratively call "a property right in gross" or a "patent in a word." Petitioners' dire warnings, made in broadbrush strokes, lack any legal or rational basis, because the right created by the statute is circumscribed both by limitations in the FTDA itself and by limitations applicable in trademark cases generally.

At the threshold, it is settled that trademarks are inherently a form of "property right," so granting a "property right" in a trademark is not improper or novel.[15] It is equally well settled that this right is necessarily and inherently dependent upon the owners' continued use of the mark. *See, e.g., Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 413-14 (1916).

Moreover, the FTDA is further circumscribed by its own terms. First, it applies only to a small subset of marks—those that, because of the very substantial, yet rarely

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15 *See, e.g., In re Trade-Mark Cases*, 100 U.S. (10 Otto) 82, 92 (1879) (the right to adopt and use a distinguishing trademark, to the exclusion of all others, "is a property right"); *see also San Francisco Arts & Athletics, Inc. v. USOC*, 483 U.S. 522, 534-35 (1987) (USOC's statutory right to keep others from using the word "Olympic" in connection with any theatrical or athletic event without having to show consumer confusion described as a "limited property right").

successful, efforts of their owners, can be considered to be "famous" among consumers. Second, it also specifically exempts "fair use" of famous marks in comparative advertising, usage in media reporting, and all other "noncommercial" uses of the mark. *See* 15 U.S.C. § 1125(c)(4)(A)-(C). Further, there is no indication that Congress meant to preclude other court-sanctioned trademark defenses to a dilution action, such as the traditional good faith descriptive use defense for words used in their normal English sense, and the nominative fair use defense where the mark is used in reference to the product or service that it names, but for acceptable purposes such as commentary and comparative advertising (both also known as "fair use" defenses). The fair use defenses apply to both registered and common law marks. *See* 15 U.S.C. § 1115(a) & (b)(4) (registered marks); *New Kids on the Block v. News Amer. Publ'g, Inc.*, 971 F.2d 302, 306-08 (9th Cir. 1992) (common law mark); *see generally Playboy Enters., Inc. v. Welles*, 279 F.3d 796, 806 (9th Cir. 2002) (applying nominative fair use defense to FTDA); *WCVB TV v. Boston Athletic Ass'n*, 926 F.2d 42, 46 (1st Cir. 1991) (discussing fair use defense generally). Similarly, there is no indication that Congress meant to preclude traditional equitable defenses such as laches or acquiescence. The applicability of these defenses and limitations allays any generalized fears that competition would be squelched unless this Court adds an "actual economic harm" requirement to the FTDA.[16]

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16 The competition concerns examined in *TrafFix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23 (2001), and *Wal-Mart Stores, Inc. v. Samara Brothers*, 529 U.S. 205 (2000), do not apply to this case. *TrafFix* and *Wal-Mart* both dealt with allegedly exclusive trade dress rights in *product designs*, which both had the potential to exclude others from producing competing goods and also directly abutted the patent laws. Neither concern applies here. Dilution protection would not keep others from offering goods and services that compete with those of the mark's owner, just from using its competitor's famous trademark.

2. *The FTDA Avoids any Conflict with the First Amendment Without the Need to Add an "Actual Economic Harm" Requirement into the Act.*

Petitioners and various *amici* warn that, unless an actual, consummated economic harm requirement is read into the FTDA, the Act would run afoul of the Free Speech clause of the First Amendment. This fear, too, is unfounded.

First, there is no general First Amendment prohibition against protecting trademarks outside the context of consumer confusion. In *San Francisco Arts & Athletics, Inc. v. USOC*, 483 U.S. 522 (1987), this Court so held despite the fact that the legislation at issue also stripped defendants of traditional trademark defenses. The Court observed that Congress could lawfully seek to protect marks that had developed a source-identifying distinctiveness and corresponding commercial value, where that value was the product of the talents, energy, and expense of the mark owner. *See id.* at 531-35. The Court further noted that the law did not restrict expressive or political speech, but only the manner in which the message could be conveyed (*i.e.*, without use of the mark). *See id.* at 536-37.

The FTDA, if anything, affords *more* constitutional protection than the statute in the *USOC* case because it explicitly exempts fair use of a famous mark in comparative advertising and promotion, *see* 15 U.S.C. § 1125(c)(4)(A), use of the mark in media reporting and commentary, *id.* § 1125(c)(4)(C), and "noncommercial use of a mark." *Id.* § 1125(c)(4)(B). The House Report makes clear that these exemptions were included "to preclude the courts from enjoining speech that courts have recognized to be constitutionally protected." H.R. REP. NO. 104-374, at 8, 1995 U.S.C.C.A.N. at 1035. The last category—"noncommercial use of a mark"—was recently held to apply to all forms of

noncommercial speech, *i.e.*, expressive or artistic speech, including satires and parodies, that the courts have traditionally protected in trademark cases. *See Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 905-07 (9th Cir. 2002) (court held that a song entitled "Barbie Girl" that made fun of and criticized the image and cultural values the composers attributed to Mattel's famous BARBIE doll was exempt from the scope of the FTDA). Thus, despite the clear potential for economic and reputational harm posed by the JOE CHEMO parody of the JOE CAMEL mark for cigarettes—an example highlighted by one of the *amici*[17]—the JOE CHEMO parody is exempted from the coverage of the FTDA's prohibitions, regardless of whether this Court construes the term "dilution" to require proof of actual economic harm.

III. IN PROVING DILUTION, RELEVANT EVIDENCE INCLUDES PROBATIVE MARKET FACTORS AND APPROPRIATE SURVEY DATA.

Dilution under the FTDA may be proved by showing that a substantial number of consumers do or would associate the junior use with the famous senior mark. This may in turn be proved by reference to some of the same "market factors" with which courts are already familiar from decades of use in infringement cases. Well constructed survey evidence may also be relevant—though not required—proof in an action under the FTDA.

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17 *See* Am. Br. of Public Knowledge, *et al.*, at 14-15 & App. 1 & 2.

A. Dilution May be Proved by Familiar Kinds of Relevant Market Factors, Focusing on the Degree of: (1) Fame of the Senior Mark; (2) Distinctiveness of the Senior Mark; (3) Uniqueness, Singularity, or Particularity of the Senior Mark; and (4) Similarity Between the Two Marks.

Neither the FTDA nor the House Report gives any indication whatsoever that Congress intended, in dilution cases, to limit or significantly change the kinds of proof that courts typically assess in trademark cases. As explained above, the FTDA and the House Report clearly indicate that dilution is based on the "perception" of the public about the uniqueness, singularity, or particularity of the famous mark. This focus on the "perception," or state of mind, of the consuming public is a familiar one in trademark law. Infringement actions focus on "the impression conveyed to prospective purchasers by the actor's use of the designation." *See* RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 21 cmt. a; *see also id.* § 20 cmt. g (describing infringement in terms of consumers' "present or future *state of mind*") (emphasis added). Consequently, the RESTATEMENT summarizes the prevailing view that several "market factors" are important in determining the hypothetical consumer's state of mind. *See id.* § 20 (listing various relevant "market factors," including the similarity of the designations, the similarity of the marketing methods and channels of distribution, the characteristics of the customers for the respective products, the distinctiveness of the senior mark, and whether consumers would expect the senior user to expand into the junior user's market). Every federal court of appeals—starting with Judge Friendly's seminal opinion in *Polaroid Corp. v. Polorad Electronics Corp.*, 287 F.2d 492 (2d Cir. 1961)—routinely uses similar sets of market factors to determine the effect of an accused infringing mark on the consuming public's state of mind.

See generally RICHARD L. KIRKPATRICK, LIKELIHOOD OF CONFUSION IN TRADEMARK LAW § 2.4 (PLI 1997) [hereinafter "KIRKPATRICK"] (listing the various market factors that the circuits have traditionally examined).[18]

By explaining dilution in terms of a reduction in "the public's *perception* that the mark signifies something unique, singular, and particular," Congress made clear that FTDA dilution also is measured by the effect of a mark on the relevant consumer's state of mind. Even under its "stringent" approach, the Fourth Circuit acknowledged that "contextual factors ... are of obvious relevance" to complement the direct proof of actual economic harm that the court required. *See Ringling Bros.*, 170 F.3d at 465.

The nature of the "dilution" under the FTDA by itself suggests what circumstantial factors are relevant. The FTDA focuses on the fame, distinctiveness, and uniqueness or particularity of the claimant's mark, and how those qualities are affected by the junior user's use of another mark, irrespective of whether the parties' products compete. Put another way, proof focusing on factors that affect whether consumers will associate the junior use with the famous senior mark will be most relevant. Accordingly, the most significant market factors in assessing dilution are: the degree of fame of the senior mark; the degree of distinctiveness of the senior mark; the degree of uniqueness or particularity of the senior mark; and the degree of similarity of the marks. These are the factors that bear most significantly on how consumers perceive the uniqueness,

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18 Consumer perceptions are also the focus of other familiar aspects of trademark law, such as assessing a mark's distinctiveness. *See* RESTATEMENT § 13 (defining the distinctiveness of a trademark in terms of how consumers "perceive" the mark); *accord Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 851 n.11 (1982) (secondary meaning requires assessment of the significance of the alleged mark "in the minds of the public").

singularity, or particularity of the senior mark before and after the junior user enters the marketplace.

The Degree of Fame of the Senior Mark. Fame chiefly concerns the extent to which a mark has been successfully used and promoted, and is therefore well-known or "famous." Fame is therefore different from the concept of inherent distinctiveness. *See Toro*, 61 U.S.P.Q.2d at 1183 (implicitly considering fame and distinctiveness to be different components of the "renown" of a mark). The more famous the mark, *i.e.*, the more successfully the owner has used and promoted it, the greater the inference that the public perceives it as unique, singular, or particular, *see Toro*, 61 U.S.P.Q.2d at 1183-84, and the correspondingly greater the inference that consumers will mentally associate the junior use with the senior mark.[19]

The Degree of Distinctiveness of the Mark. Distinctiveness measures a mark's inherent capability to distinguish the user's goods from those of others. Protectable marks are traditionally classified in categories of generally increasing distinctiveness: descriptive, suggestive, arbitrary, or fanciful. The latter three categories are generally considered "inherently distinctive." *See Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768 (1992); *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 210-11 (2000). The more distinctive a senior mark, including the degree of inherent distinctiveness, the greater the inference that a similar or identical mark will create a mental association in consumers' minds between the two.

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19 A mark must be famous to qualify for protection under the FTDA. *See* 15 U.S.C. § 1125(c)(1)(A)-(H). But there are also various levels of fame, as Intel has pointed out previously. (*See supra* p.1.) The "*degree* of famousness" factor both acknowledges this reality and focuses more precisely on how the degree of fame specifically affects whether the required consumer association will occur.

Third Party Use – The Actual Degree of Uniqueness, Singularity, or Particularity of the Senior User's Mark. The degree to which third parties make trademark use of the allegedly qualifying mark bears significantly on whether the senior mark is diluted by a defendant's usage. If, for example, the evidence showed that significant third-party usage of the senior mark at the time the junior user began, or was about to begin, its use, then the senior mark's singularity, uniqueness, or particularity would already be compromised, making it harder to infer that one more third party use would have any significant dilutive effect. *Cf. TCPIP Holding Co. v. Haar Communications, Inc.*, 244 F.3d 88, 96 (2d Cir. 2001) (suggesting that FTDA protection does not extend where there are "[I]nnumerable good faith users of the same weak marks, who have developed goodwill in these marks, [and who] would be denied further use of their marks").[20]

The Degree of Similarity Between the Marks. For dilution to occur, there should be a high degree of similarity between the marks. The higher the degree of similarity, the greater the inference that consumers will associate the junior user's mark with the senior user's. If the consumer associates the junior user's mark with the senior user's, that reduces the perception that the senior mark is unique, singular, or particular. *See, e.g., Toro*, 61 U.S.P.Q.2d at 1183 (claimant must show "that the marks are identical or 'very or substantially similar'") (citation omitted).

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20 The *TCPIP* court made this point while addressing the threshold issue, not of dilution, but of what marks qualify for dilution protection, an issue not raised in this case. Intel expresses no position herein on that issue or any other issue under the FTDA other than the question presented in this proceeding: the proper construction of, and proof under, the phrase "causes dilution."

Other Factors May Have Limited Significance in Some Cases. In the infringement context, there is general agreement that none of the circuits' various checklists of relevant market factors is exclusive, because consumer perceptions can be affected by a virtually limitless number of things. *See generally* KIRKPATRICK, *supra*, § 2.4, at 2-18-19. Similarly, in any dilution case, courts may consider other market factors that bear on whether the junior mark will cause an actionable association with the senior mark, *e.g.*, whether the junior user intended to cause consumers to associate his use with the senior user's mark, or whether the junior user's advertising fosters an association with the senior mark. Care should be taken, however, not to reflexively import likelihood of confusion factors into the dilution analysis. Factors such as similarity of the products or marketing channels will rarely be relevant to dilution analysis, because they generally will not bear on the lessening of the famous mark's capacity to distinguish.

Finally, the government argues that it is not enough to show that consumers associate the junior mark with the senior mark. (*See* U.S. Am. Br. at 7, 18.) According to the government, consumers must view the two marks as the "same mark." The government's reading thus would require confusion between non-identical marks to prove dilution. As noted in the preceding paragraph, however, lack of confusion is irrelevant in a dilution analysis. Rather, the existence of the required consumer association between the marks proves that the senior mark is no longer seen as unique, singular, or particular.

In taking the position that association alone is not enough, the government expresses the concern that dilution analysis should not focus only on the similarity of the marks. (*See id.*) But dilution analysis, correctly understood, should not and will not focus solely on similarity. So long as courts properly focus upon all four of the factors that affect

consumer association and the capacity of the senior mark to distinguish—(1) degree of fame; (2) degree of distinctiveness; (3) degree of uniqueness or particularity; and (4) degree of similarity between the marks—the government's concern is unfounded.

B. A Valid Survey Evidencing a Reduction in Consumers' Perceptions that the Senior Mark Represents Something Unique, Singular, or Particular Is Relevant, Though Not Required, Evidence in an FTDA Case.

Neither the district court's nor the Sixth Circuit's opinion in this case indicates that either party offered a dilution survey into evidence. Thus, there is no need to decide in this case, in the abstract, whether surveys are required proof in dilution cases under the FTDA. Rather, once this Court articulates a clear definition of dilution, the courts will doubtless be able to use that definition, in the individual cases and on the particular facts before them, to determine the criteria by which to assess the relevance of specific survey constructs.

Under the Fourth Circuit's *Ringling Brothers* opinion, however, surveys are all but mandatory. The government similarly articulates a dilution standard in a way that appears to require survey evidence to meet the standard. Accordingly, Intel will address this issue.

While a survey would certainly be one way to prove a reduction in the public's perception that the senior mark signifies something unique, singular, or particular, it is by no means the only way, and should not be required proof. Because, as explained above, the Fourth Circuit's concededly "stringent" interpretation of the FTDA is flawed, its emphasis on the importance, and proper types, of survey evidence is similarly in error. There simply is no reason to

think that Congress intended to require surveys in all cases without even mentioning them in either the FTDA itself or the House Committee Report.

Similarly, the three hypothetical surveys advocated by the government (*see* U.S. Am. Br. at 22-23) are also flawed. Beyond the difficulties inherent in evaluating hypothetical surveys in the abstract, there are other problems with the government's examples. First, they are based on an incorrect reading of the FTDA. In particular, all three examples implicitly assume that at least part of the survey universe must consist of consumers *actually* familiar with the products or services of the junior user (the alleged dilutor). This assumption would require not only waiting until the diluting use has started (contrary with Congress's provision for preventative injunctions to stop dilution before it starts), but also waiting until the junior user has been in the marketplace long enough so that his customer group is large and identifiable enough to be surveyed in a statistically valid fashion. As explained earlier, this notion is inconsistent with Congress's intent to stop dilution before it causes measurable economic harm.

In addition, the government's second and third survey examples (*see id.* at 22 ¶2, 23 ¶1) would result in inherently inconclusive data. These examples ask respondents to verbalize or rate "attributes" or "qualities" they associate with the senior mark, focusing on the difference between the responses of those familiar only with the senior mark and those familiar with both marks. To infer dilution from the differences between the groups' responses, however, there would have to be some accepted benchmark as to which qualities are, in fact, attributed to the respective marks. Without it—and the government does not explain how a court would set such benchmarks—there would be no basis from which to infer anything from

differences in the responses of the test groups. These inherent analytical gaps counsel against sanctioning the government's hypothetical examples.

IV. THE JUDGMENT OF THE SIXTH CIRCUIT SHOULD BE AFFIRMED.

The Sixth Circuit reviewed the undisputed facts in the record before the district court and concluded "that the district court did not err in granting summary judgment to [Respondents] on the trademark dilution claim." *V Secret Catalogue, Inc. v. Moseley*, 259 F.3d 464, 466 (6th Cir. 2001). In so doing, the Sixth Circuit expressly noted that the record showed that the following facts were undisputed: (1) the VICTORIA'S SECRET mark was undisputedly famous, *id. at* 467, 470; (2) the mark was distinctive, *id.* at 476; and (3) the parties' marks were highly similar. *Id.* It was also undisputed that the parties sold to overlapping classes of customers—lingerie buyers. *Id.* at 466, 477. These factors, as explained above, are all relevant (the first three highly so) to the issue of dilution under the FTDA, and they are not challenged here. It does not matter that the Sixth Circuit adopted the flawed legal analysis of the Second Circuit. These undisputed facts amply support a finding of summary judgment of dilution under the correct legal standard set forth above. Accordingly, this Court should affirm the Sixth Circuit's judgment in this case.[21]

The government incorrectly contends that a remand is necessary because it is unclear whether the Sixth Circuit

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21 *See, e.g., Schenck v. Pro-Choice Network*, 519 U.S. 357, 384 n.12 (1997) ("in reviewing the decision of a lower court, it must be affirmed if the result is correct although the lower court relied upon a wrong ground or gave a wrong reason") (citation omitted); *Chevron U.S.A., Inc. v. Natural Resources Def. Council, Inc.*, 467 U.S. 837, 842 (1984) ("this Court reviews judgments, not opinions") (citations omitted).

required existing or only likelihood of future dilution. (*See* U.S. Am. Br. at 26.) But the legal test used by the Sixth Circuit does not matter, because the undisputed facts fully support affirmance under the proper analysis. Moreover, there can be no dispute that the Sixth Circuit found actual dilutive use, since it is also undisputed that petitioners had been operating a business using the challenged mark since early 1998. *See* 259 F.3d at 466-67.

CONCLUSION

For the foregoing reasons, the judgment of the Sixth Circuit should be affirmed.

Respectfully submitted.

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No. 01-1015

IN THE

Supreme Court of the United States

OCTOBER TERM, 2002

VICTOR MOSELEY and CATHY MOSELEY,
D/B/A VICTOR'S LITTLE SECRET,
Petitioners,

v.

V SECRET CATALOGUE, INC., ET AL.,
Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

BRIEF OF BEST WESTERN INTERNATIONAL, INC. AND SHERATON INTERNATIONAL, INC. AS *AMICI CURIAE* IN SUPPORT OF RESPONDENTS

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BRIEF OF BEST WESTERN INTERNATIONAL, INC. AND SHERATON INTERNATIONAL, INC. AS *AMICI CURIAE* IN SUPPORT OF RESPONDENTS[1]

Statement of Interest

Amici Best Western International, Inc. and Sheraton International, Inc., two of America's oldest and largest hotel brands, hold the kind of "truly prominent and renowned" trademarks that the Federal Trademark Dilution Act ("FTDA") was enacted to protect. *I.P. Lund Trading ApS v. Kohler Co.*, 163 F.3d 27, 46-47 (1st Cir. 1998) (citation omitted); 15 U.S.C. § 1125(c)(1) (only "[t]he owner of a famous mark shall be entitled" to invoke the dilution remedy). *Amici* file this brief because the issues on *certiorari* affect their ability to protect their famous marks.

Under the FTDA, a mark's fame is judged by, among other things: (1) the duration and extent of the use of the mark on goods or services; (2) the extent of advertising and publicity of the mark; (3) the geographic area in which the mark is used; and (4) the degree of recognition of the mark in the trading areas in which it is used. *See* 15 U.S.C. § 1125(c)(1)(B)-(D) & (F); *see also Bose Corp. v. QSC Audio Prods., Inc.*, 293 F.3d 1367, 1371 (Fed. Cir. 2002) ("[C]ases teach that the fame of a mark may be measured indirectly . . . by the volume of sales and advertising expenditures of those goods traveling under the mark and by the length of time the indicia of commercial awareness have been evident."). By these measures, BEST WESTERN and SHERATON are classic

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[1] Counsel of record for all parties have given written consent to file this brief. *Amici* have filed those letters of consent with the Clerk.

No party or counsel to a party has authored this brief in whole or in part, and no person or entity other than the companies submitting this brief and their counsel have contributed monetarily to the preparation or submission of this brief.

examples of famous marks. The BEST WESTERN and SHERATON marks have achieved fame by these measures through years of efforts and great costs.

Founded in 1946, Best Western is an Arizona non-profit corporation, operating as an association of independently-owned-and-operated hotels.[2] Today, it has over 2000 member hotels in the United States and a similar number in the rest of the world. All of these hotels operate exclusively under the Best Western name.

From its headquarters in Phoenix, Arizona, Best Western has continuously invested in marketing and promoting its brand. For example, in 1947, it distributed 150,000 copies of *The Best Western Travel Guide* to American travelers. In 2001, it distributed more than 3,660,000 copies of the *Guide*. Best Western spent more than $283 million on brand-promotion over the past decade, including more than $35 million in 2001 alone. Those efforts have resulted in consistently high occupancy rates for the member hotels and in growth of the membership ranks. With more than 306,000 rooms, Best Western is the largest hotel chain in the world under a single brand and is significantly larger by volume than other individual brands. *See Hotels' Corporate 300 Ranking*, HOTELS, July 2002, at 60. Best Western believes that the fame of its trademarks has reached the level and nature intended for protection under the FTDA.

Sheraton began as a single hotel in 1937. In 1946, Sheraton became the first hotel company to be listed on the New York Stock Exchange. In 1998, Sheraton was acquired by its parent company, Starwood Hotels & Resorts Worldwide, Inc., which has continued to grow and strengthen the Sheraton brand. There are 206 Sheraton

[2] Best Western is the owner of the trademark BEST WESTERN and design, Reg. No. 1900620, as well as other trademarks incorporating the phrase "Best Western" or commencing with the word "Best."

hotels in the United States and 192 in other countries. In the past eight years, Sheraton's advertising and promotion budget exceeded $233 million in North America and Latin America alone, with more than $26 million spent in 2001 alone. Sheraton's global, gross sales for 2001 exceeded $3 billion. It is the seventh largest hotel brand in the world with more than 127,000 rooms. *Id.* Sheraton believes that the fame of its trademark has reached the level and nature intended for protection under the FTDA.

Amici's investments in the BEST WESTERN and SHERATON marks can be fully and fairly safeguarded only with vigorous enforcement of the FTDA. A motorist often makes the decision to stay in a particular hotel a split second after seeing a roadside sign displaying the hotel's mark. If that mark has been eroded by tarnishment or blurring, *amici* will lose the motorist's business for that night and perhaps for future stays.

Amici's ability to prevent such tarnishment and blurring would be undermined by the limitation on injunctive relief proposed by petitioners and adopted by the Fourth[3] and Fifth[4] Circuits. In the view of petitioners and those courts, no injunctive relief should be awarded under the FTDA absent proof of actual harm in the form of economic loss. Under that standard of proof, however, trademark diluters would be encouraged to exploit the BEST WESTERN and SHERATON marks, secure in the knowledge that Best Western's and Sheraton's growing success will hide (and likely render unprovable) the effects of their dilution. By the time dilution manifests itself in provable economic loss, the BEST WESTERN and SHERATON marks will have been whittled away. An

[3] *See Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449 (4th Cir. 1999).

[4] *See Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658 (5th Cir. 2000).

injunction at that point would be too late to stop the damage. And because the FTDA provides that plaintiff may collect its damages only in the rare circumstance of provable willful dilution, petitioners' proposed standard would generally leave Best Western and Sheraton without any effective remedy under the statute. *See Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 224 (2d Cir. 1999) (noting that requiring proof of actual harm "would subject the senior user to uncompensable injury"); *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 467 (7th Cir. 2000) ("[I]f the 'causes dilution' element requires proof of actual economic harm, senior mark holders will be restrained from bringing suit prior to suffering an injury for which the [FTDA] will not compensate them in many circumstances."). Because petitioners' standard would subject Best Western and Sheraton to injuries that can never be remedied, *amici* have a keen interest in the outcome of this action.

In *amici's* view, the standard and result advocated by petitioners violate the equitable principles expressly incorporated into the FTDA. To give effect to those equitable principles, *amici* urge this Court to affirm the judgment of the Sixth Circuit, and hold that an FTDA-injunction is available upon proof that defendant's conduct is *likely* to dilute plaintiff's mark.

Summary of Argument

The FTDA explicitly states that an injunction against dilution shall be awarded "subject to the principles of equity." 15 U.S.C. § 1125(c)(1). Allowing injunctive relief when dilution is likely appropriately follows Congress's directive to apply equitable principles to the dilution remedy.

First, it is a bedrock "principle[] of equity" that "'[o]ne does not have to await the consummation of threatened injury to obtain preventive relief.'" *Farmer v. Brennan*, 511 U.S. 825, 845 (1994) (quoting *Pennsylvania v. West Virginia*, 262 U.S. 553, 593 (1923)). Rather, as this Court has consistently recognized, injunctions serve to prevent harm *before* it occurs and thus do not require a showing of past injury. Illustratively, this Court has held that injunctions may issue to prevent threatened harm under 42 U.S.C. § 1983 even though that statute—like the FTDA—is phrased in the present tense, and prohibits conduct that "causes" a deprivation of rights. Because requiring plaintiffs to prove actual harm, as advocated by petitioners, contradicts the inherently preventative nature of injunctive relief, it should be rejected.

Second, requiring proof of actual harm as a condition to injunctive relief conflicts with other equitable principles such as laches, estoppel and acquiescence. The lower courts have held these doctrines to be among the "principles of equity" incorporated into the FTDA. Yet requiring a dilution plaintiff to delay suit until it has amassed the extraordinarily difficult (and possibly unattainable) proof of actual harm would undermine the very interests that laches and other equitable doctrines are designed to prevent.

Argument

Advocates of requiring proof of actual harm purport to ground their argument in the FTDA's language, even though the Fourth Circuit itself has acknowledged that "[t]hat meaning surely does not leap fully and immediately from the statutory text." *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449, 453 (4th Cir. 1999). What *does* leap from the statutory text is that courts must award the dilution remedy "*subject to the principles of equity*." 15 U.S.C. § 1125(c)(1) (emphasis added).

Even without this explicit incorporation of equitable principles, the courts would have to presume that Congress intended the FTDA to embrace the traditional principles of equitable relief. *See United States v. Texas*,

507 U.S. 529, 534 (1993) ("courts may take it as a given that Congress has legislated with an expectation that the [common law] principle will apply except 'when a statutory purpose to the contrary is evident'") (quoting *Astoria Fed. Sav. & Loan Ass'n v. Solimino*, 501 U.S. 104, 108 (1991), and *Isbrandtsen Co. v. Johnson*, 343 U.S. 779, 783 (1952)). Congress's express incorporation of the principles of equity into the FTDA irrefutably confirms their integral importance to the interpretation and application of the statute.

I. REQUIRING PROOF OF ACTUAL HARM IS INCONSISTENT WITH THE "PRINCIPLES OF EQUITY" EXPRESSLY INCORPORATED INTO THE FTDA.

A. Requiring Proof of Actual Harm as a Condition to Injunctive Relief Misconceives the Purpose of, and Is Contrary to the Equitable Nature of, an Injunction.

Petitioners argue (at 27) that "Congress did not incorporate any language indicating an intent to remedy incipient harm." To the contrary, that language appears in the FTDA's express incorporation of "principles of equity." 15 U.S.C. § 1125(c)(1).

One of the most fundamental "principles of equity" is that "'[o]ne does not have to await the consummation of threatened injury to obtain preventive relief.'" *Farmer v. Brennan*, 511 U.S. 825, 845 (1994) (holding that prisoners need not suffer physical injury before obtaining court-ordered correction of inhumane prison conditions) (quoting *Pennsylvania v. West Virginia*, 262 U.S. 553, 593 (1923)); *accord United States v. W.T. Grant Co.*, 345 U.S. 629, 633 (1953) ("The purpose of an injunction is to prevent future violations and, of course, it can be utilized even without a showing of past wrongs.") (citation omitted); *Carter v. Carter Coal Co.*, 298 U.S. 238, 287-88

(1936) (fact that no harm had actually occurred did not bar injunctive relief); *Swift & Co. v. United States*, 276 U.S. 311, 326 (1928) ("[A] suit for an injunction deals primarily, not with past violations, but with threatened future ones; . . . an injunction may issue to prevent future wrong, although no right has yet been violated."); 42 AM. JUR. 2D *Injunctions* § 32 (2002) ("a party may seek an injunction to prevent probable, threatened injury and need not delay application until injury has actually been inflicted").

The rationale behind allowing plaintiffs to seek injunctive relief before actual harm occurs (or can be proven) is equally well established: "it is one of the most valuable features of equity jurisdiction, to anticipate and prevent a threatened injury, where the damages would be insufficient or irreparable." *Vicksburg Waterworks Co. v. Vicksburg*, 185 U.S. 65, 82 (1902); *accord Pierce v. Soc'y of Sisters*, 268 U.S. 510, 536 (1925) ("Prevention of impending injury by unlawful action is a well recognized function of courts of equity."). In fact, because "[t]he sole function of an action for injunction is to forestall future violations," actual injury has never been and cannot be a prerequisite to injunctive relief. *United States v. Or. State Med. Soc'y*, 343 U.S. 326, 333 (1952) (noting that an action for injunctive relief is a "forward-looking action").

Despite the FTDA's express incorporation of equitable principles, petitioners would have this Court ignore the preventative, forward-looking nature of an injunction and require proof of past economic harm before enjoining diluting conduct. It appears that they, and the Fourth and Fifth Circuits, mistakenly find a qualitative difference, for purposes of injunctive relief, between threatened and consummated harm. *See Ringling Bros.*, 170 F.3d at 458 (drawing a distinction between proving a "likelihood of dilution" and proving "actual, consummated dilution"); *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658, 670 (5th Cir. 2000) (agreeing with the

Fourth Circuit's analysis). Equity, however, draws no such distinction. *See Hitchman Coal & Coke Co. v. Mitchell*, 245 U.S. 229, 256 (1917) ("Of course, in a court of equity, when passing upon the right of injunction, damage threatened, irremediable by action at law, is *equivalent* to damage done.") (emphasis added); *see also* 42 AM. JUR. 2D *Injunctions* § 32 ("With regard to injunctions, the threat of damage that cannot be remedied by an action at law is equivalent to damage done.").

Equally misplaced is petitioners' and the Fourth and Fifth Circuits' focus on the fact that state dilution statutes, unlike the FTDA, explicitly refer to "likelihood of dilution." *See Ringling Bros.*, 170 F.3d at 458 (calling this difference "[m]ost critical[]"); *Westchester Media*, 214 F.3d at 670-71 (describing this as a "key difference"). It was unnecessary for the FTDA to include this reference given its incorporation of "principles of equity"—principles that themselves embrace a likelihood-of-harm standard. Notably, state dilution statutes using "likelihood of injury" language do not contain the FTDA's reference to "principles of equity." *See, e.g.*, CAL. BUS. & PROF. CODE § 14330 (2002); MONT. CODE ANN. § 30-13-334 (2001); N.H. REV. STAT. ANN. § 350-A:12 (2001).

In any event, the *lack* of an explicit reference to "likelihood of harm" in the FTDA is far too slender a basis for assuming that Congress intended to abandon the "long established and familiar" equitable principle that an injunction need not await actual harm. *See United States v. Texas*, 507 U.S. at 534 (noting that "'[s]tatutes which invade the common law . . . are to be read with a presumption favoring the retention of long-established and familiar principles, except when a statutory purpose to the contrary is evident'") (quoting *Isbrandtsen Co.*, 343 U.S. at 783, and *Astoria Fed. Sav. & Loan Ass'n*, 501 U.S. at 108). Indeed, "[i]n order to abrogate a common-law principle, the statute must 'speak directly' to the question addressed by the common law." *Id.* (citation omitted).

Once again, even the Fourth Circuit has acknowledged that an actual harm requirement "does not leap fully and immediately from the statutory text." *Ringling Bros.*, 170 F.3d at 453.

In other statutory contexts, this Court has recognized that neither the absence of express "likelihood-of-harm" language nor legislative use of the present tense to describe the prohibited conduct requires a plaintiff to suffer or prove actual harm before obtaining injunctive relief. For example, 42 U.S.C. § 1983 does not explicitly refer to the "likelihood" of deprivation of federal rights, but rather imposes liability on any person who "*subjects*, or *causes to be subjected*" any other person "to the deprivation of any rights, privileges, or immunities secured by the Constitution and laws." (Emphasis added). The foregoing italicized language is grammatically the same as the "causes dilution" language in the FTDA. Yet, consistent with settled equitable principles, this Court has held that section 1983 plaintiffs facing only a threatened deprivation of rights may secure injunctive relief (so long as Article III standing requirements are met). *See, e.g., Virginia v. Am. Booksellers Ass'n*, 484 U.S. 383, 392-93 (1988) (booksellers had standing to bring a pre-enforcement facial challenge to an anti-pornography statute).

This Court should, therefore, reaffirm the equitable nature of injunctions and hold that a federal trademark dilution plaintiff does not have to prove actual dilution by a junior mark as a condition to injunctive relief. Any other result would impose an unprecedented limitation on the courts' powers to issue injunctions and would contravene the "principles of equity" explicitly incorporated into the FTDA.[5]

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[5] Requiring actual harm also has the drawback of encouraging piecemeal litigation. Trademark infringement and dilution claims are often asserted in the same complaint and arise out of the same transaction or occurrence. This case is a typical example. Yet all

B. Requiring Proof of Actual Harm Is Incompatible With Other "Principles of Equity," to the Prejudice of Both Plaintiffs and Defendants.

Requiring proof of actual harm is also inconsistent with the equitable doctrines of laches, estoppel and acquiescence. Equally inequitably, the actual-harm standard forces plaintiffs to suffer, without possibility of redress, the very damage that the FTDA means to prevent.

This Court has held that, in appropriate cases, trademark claims may be barred by the doctrines of laches, estoppel and acquiescence where the plaintiff's delay in asserting its rights has caused the defendant to invest substantial resources and otherwise change its position in reliance on the plaintiff's inaction.[6] Courts

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circuits that have decided this issue agree that actual harm is not required for *infringement* claims. *See* 3 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 23:12, at 23-47 to 23-49 (4th ed. 2002) (collecting cases). Accordingly, if proving *dilution* claims requires actual harm, plaintiffs would bring infringement claims when there was a likelihood of confusion and bring dilution claims only later, when actual economic harm had occurred. Such a regime would waste judicial resources and encourage claim-splitting.

[6] *See, e.g., United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 103 (1918) (applying estoppel to bar injunctive relief in a trademark infringement action because defendant "had expend[ed] money and effort in building up a trade under [the mark]" while plaintiff did nothing); *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 418-19 (1916) (noting that "trademark rights . . . may be lost by abandonment, nonuser, laches, or acquiescence" and finding that plaintiff was estopped from claiming trademark infringement after taking no action to stop another user of a similar mark), *superseded by statute on other grounds, Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 200 (1985); *see also Hot Wax, Inc. v. Turtle Wax, Inc.*, 191 F.3d 813, 822, 824 (7th Cir. 1999) (noting that Lanham Act remedies "shall be subject to the principles of equity, which include the doctrine of laches" and using that doctrine to bar an infringement claim because plaintiff took no action).

have specifically applied these equitable doctrines to avoid undue prejudice to defendants in claims under the FTDA.[7]

Requiring proof of actual harm is inconsistent with the courts' desire in these cases to avoid the prejudice that may come from delay in bringing suit. It would force a dilution plaintiff to postpone suit under the FTDA until it has amassed the highly difficult and complex proof of actual dilution (proof that ultimately may be unattainable). Even the proponents of the actual-harm standard recognize that the time and effort required to develop this proof is likely to be extraordinary. *See, e.g., Ringling Bros.*, 170 F.3d at 464-65 (recognizing that "[t]he difficulties of proving actual dilution by practically available means is evident," whether that proof comes from evidence of "an actual loss of revenues" or a "skillfully constructed consumer survey"); *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 224 (2d Cir. 1999) ("Even if diminished revenue could be shown, it would be extraordinarily speculative and difficult to prove that the loss was due to the dilution of the mark. And as to consumer surveys, they are expensive, time-consuming and not immune to manipulation."). By the time the plaintiff can marshal such proof (if it can do so at all), the defendant may well have invested significant resources on the allegedly offending trademark, and thus incurred the

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[7] *See, e.g., H.G. Shopping Ctrs. L.P. v. Birney*, 59 U.S.P.Q.2d 1109, 1119 (S.D. Tex. 2000) (finding that "equitable defenses can defeat prospective injunctive relief" and applying laches to bar a dilution claim in view of delay which caused defendants, who were unaware of plaintiff's claims, to incur the expenses of advertising, property maintenance and renovation); *but see AutoZone Inc. v. Ferrell Air Conditioning & Heating Inc.*, 63 U.S.P.Q.2d 1042, 1044 (W.D. Tenn. 2002) (finding that plaintiff's dilution claim was not barred by laches where the plaintiff waited only three months to bring suit and defendant "offered nothing beyond conclusory statements to support its argument that it suffered prejudice").

very prejudice that laches and like doctrines are designed to avoid.

On the other side of the equitable coin, requiring proof of actual harm would give plaintiffs an unfairly narrow window of opportunity to bring their dilution claims. If plaintiffs wait too long in developing the necessary evidence, they may be greeted with a laches finding when they come to court. *See Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 467-68 (7th Cir. 2000) ("[I]f the 'causes dilution' element requires proof of actual economic harm, . . . [s]enior mark holders would also be open to the argument that they had failed actively to protect their marks."); *Nabisco*, 191 F.3d at 222 ("A factor . . . in considering infringement is whether the senior user's effort to enjoin the junior use was made with reasonable promptness and whether the junior user will suffer harm resulting from any such delay. The factor seems at least as relevant to the question of dilution, perhaps more so.") (citation omitted). Conversely, if they do not wait long enough, their claim will be dismissed for failure of proof. It is patently inequitable to impose upon holders of widely used and famous trademarks, such as BEST WESTERN and SHERATON, the burden of picking just the magic date to sue one of the many entities who seek to take advantage of brands built up through decades of labor and expenditure.

This timing quandary not only puts dilution plaintiffs in an inequitable vise (wait and lose, jump the gun and lose), but it also guarantees that these plaintiffs will suffer the very injury that the FTDA is designed to prevent. Under an actual-harm proof standard, a plaintiff could not sue until its mark has actually been diluted. Yet "because the statute provides only for an injunction and no damages (absent willfulness), *see* 15 U.S.C. § 1125(c)(2), such injury would never be compensated." *Nabisco*, 191 F.3d at 224; *accord Eli Lilly*, 233 F.3d at 467 ("[I]f the 'causes dilution' element

requires proof of actual economic harm, senior mark holders will be restrained from bringing suit prior to suffering an injury for which the [FTDA] will not compensate them in many circumstances."). An injunction will not bring back the guest who elected not to spend the night in *amici's* hotels; the small businessmen and women who run these hotels will bear this financial burden.

This unjust result cannot be tolerated under a statute that expressly embraces the "principles of equity."

C. The Solicitor General's Hybrid Test Also Cannot Be Squared With the "Principles of Equity" Incorporated Into the FTDA.

The Solicitor General's Amicus Brief correctly recognizes (at 25-26) that the actual-injury standard, as adopted by the Fourth and Fifth Circuits and advocated by petitioners, cannot be reconciled with the statutory language insofar as it requires a dilution plaintiff to prove that the defendant has caused actual, economic harm. But the Solicitor General proposes a hybrid test that also misses the mark. According to the Solicitor General (at 6), an injunction may issue only if "some dilution of [the plaintiff's] famous mark has already occurred."

In rejecting the "likelihood-of-dilution" standard, the Solicitor General makes the same mistake that petitioners do. He ignores that the FTDA expressly incorporates the "principles of equity," which themselves embrace a likelihood standard for injunctive relief. [*See* Section A above] Likewise, although the Solicitor General correctly notes that the statute targets conduct that "causes dilution," this Court has emphasized that "when passing upon the right of injunction, damage threatened, irremediable by action at law, is *equivalent* to damage done." *Hitchman Coal & Coke Co.*, 245 U.S. at 256 (emphasis added). Thus, for purposes of injunctive relief,

conduct creating a likelihood of dilution *is* conduct that "causes" dilution.

The other statutes cited by the Solicitor General fail to support his interpretation of the FTDA. *First*, like petitioners, he points (at 14) to the difference between the federal and state dilution statutes. But again, like petitioners, he overlooks that the state statutes—unlike the FTDA—do not explicitly incorporate the "principles of equity."

Second, he notes (at 15) that in 1999, "several years after the FTDA was enacted," Congress amended the trademark statutes to authorize the Patent and Trademark Office to consider threatened dilution when reviewing trademark applications. Those amendments, however, do not purport to repeal the FTDA's incorporation of "principles of equity." Nor do those amendments concerning *administrative* proceedings overcome the presumption that, when Congress enacted the FTDA years earlier, it intended to retain the "long-established and familiar" equitable principles applicable in *judicial* proceedings. *See United States v. Texas*, 507 U.S. at 534 (citations omitted).[8]

[8] Both the Solicitor General (at 16) and petitioners (at 28-29) also refer to the legislative history of the 1999 amendments. That history has even less relevance than the amendments themselves. As this Court has "oft-repeated," "the views of a subsequent Congress form a hazardous basis for inferring the intent of an earlier one." *Consumer Prod. Safety Comm'n v. GTE Sylvania, Inc.*, 447 U.S. 102, 117-18 (1980) (citations omitted).

Conclusion

The judgment and rationale of the Court of Appeals should be affirmed.

August 23, 2002.

Respectfully submitted,

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VICTOR MOSELEY, *et al.*,
Petitioners,

v.

V SECRET CATALOGUE, INC., *et al.*,
Respondents.

On Writ of Certiorari to the United States Court of Appeals for the District of Columbia Circuit

BRIEF FOR *AMICUS CURIAE* THE INTELLECTUAL PROPERTY OWNERS ASSOCIATION IN SUPPORT OF THE RESPONDENT

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QUESTION PRESENTED

What is required to establish that the use in commerce of a mark or trade name "causes dilution of the distinctive quality of [a famous] mark," in order to find liability under the Federal Trademark Dilution Act (the "FTDA" or the "Act")?

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IN THE

Supreme Court of the United States

No. 01-1015

VICTOR MOSELEY, *et al.*,
Petitioners,

v.

V SECRET CATALOGUE, INC., *et al.*,
Respondents.

On Writ of Certiorari to the United States Court of Appeals for the District of Columbia Circuit

BRIEF FOR *AMICUS CURIAE* THE INTELLECTUAL PROPERTY OWNERS ASSOCIATION IN SUPPORT OF THE RESPONDENT

INTEREST OF *AMICUS CURIAE*

Amicus Intellectual Property Owners Association (IPO) is a nonprofit, national organization of nearly- 100 large and midsize companies and more than 200 small businesses, universities, inventors, authors, executives, and attorneys who own or are interested in patents, trademarks, copyrights, and other intellectual property rights. Founded in 1972, IPO represents the interests of all owners of intellectual property. The members of IPO's Board of Directors are listed in the appendix.[1]

[1] This brief was not authored in whole or in part by counsel for either party. No person or entity, other than *amicus* Intellectual Property

IPO and its members have a strong interest in this case because it represents the Supreme Court's first opportunity to review and interpret the FTDA. Federal trademark dilution is an important new tool that assists trademark owners in protecting the distinctiveness, value, and usefulness of their marks. The appellate courts evaluating dilution cases have come to vastly different conclusions regarding the statute's scope, meaning, and purpose. Hence, the Court's choice in this case between the very different interpretations will set the tone for this statute's future application, determine its relevance to trademark owners, and provide a guide to those selecting new trade names and trademarks. IPO submits this *amicus* brief to present its view on how the statute should be properly interpreted.

INTRODUCTION

Relief under the FTDA should not hinge on whether the owner of a famous and distinctive trademark can prove tangible economic loss or harm at the hands of an unauthorized user. Such a requirement would impose a daunting standard that could be rarely met and is not supported by the statutory language. The incalculable value of famous and distinctive trademarks eligible for protection under the FTDA lies in their singular uniqueness. Dilution occurs, and should be enjoined, whenever a famous and distinctive mark (or colorable imitation), as defined by the statute, is commercially used without authorization. Whether or not an unauthorized use inflicts direct and provable economic loss, it inherently impairs the mark and damages its intrinsic value. It does so by lessening or "blurring" the mark's capacity to carry out the central trademark function of identifying a single and unique source of goods or services.

Owners Association, its members, or its counsel, made a monetary contribution to the preparation or submission of this brief. The Parties have consented to the filing of this brief *amicus curiae*.

The very first commercial use of a famous mark by an unauthorized third party erodes the famous mark by making it less unique. Such erosion inflicts an injury on the trademark owner far more pernicious than mere loss of sales or other economic injury. Furthermore, allowing the diluting mark to remain in use invites others to feast on a famous mark's tremendous value by employing similar uses for their own benefit at the expense of the originator. Through such incremental blurring, a mark that was once unique and famous devolves into the commonplace.

The FTDA was intended to prevent just such progressive impairment of the intrinsic value of famous and distinctive trademarks. The Act's remedy, accordingly, should apply without regard to whether direct economic harm can be shown.

SUMMARY OF THE ARGUMENT

The FTDA provides a new and unique federal cause of action that applies whenever the commercial use of a mark lessens the capacity or ability of a famous and distinctive mark to serve as a unique identifier of source or lessens its distinctive quality. The right of relief under the Act does not require proof of actual economic harm to the trademark owner. Rather, the Act focuses on the harm to a mark's intrinsic capacity or ability to distinguish goods or services, which does not necessarily translate into provable economic harm to the mark's valuation. Harm of this nature can be proven through a variety of methods, such as proof of contextual factors, circumstantial evidence, or anecdotal evidence. In some instances, proof of dilution merely requires proof that the mark used by the defendant is so similar to the plaintiff's famous mark, that it calls the plaintiff's mark to mind and creates an association. In other words, commercial activity associating the famous mark with something other than the right holder, *ipso facto* dilutes the mark's distinctive nature.

ARGUMENT

In 1995, Congress created a new and different federal cause of action when it passed the Federal Trademark Dilution Act, which became law on January 16, 1996. The FTDA's purpose, as shown in its legislative history, was "to protect famous trademarks from subsequent uses that blur the distinctiveness of the mark or tarnish or disparage it, even in the absence of likelihood of confusion." H.R. Rep. No. 104-374, at 2 (1995), *reprinted in* 1995 U.S.C.C.A.N. at 1029.

This Act represents a clear departure from the traditional trademark-infringement analysis, which is based on a likelihood of confusion, deception, or mistake. *Id.* at 3, 1995 U.S.C.C.A.N. at 1030. Rather, the new dilution statute was intended to apply "when the unauthorized use of a famous mark reduces the public's perception that the mark signifies something unique, singular, or particular." *Id.* As examples of actions that would dilute famous marks, the legislative history stated that "the use of DUPONT shoes, BUICK aspirin, and KODAK pianos would be actionable under this legislation." *Id.*

I. ACTUAL ECONOMIC HARM IS NOT REQUIRED TO PROVE DILUTION

As this Court has noted, "Statutory construction must begin with the language employed by Congress and the assumption that the ordinary meaning of that language accurately expresses the legislative purpose." *Park N' Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 194 (1985). The "language employed by Congress" reads:

> The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use . . . causes dilution of the distinctive quality of the mark.

15 U.S.C. § 1125(c)(1). The Act further defines "dilution" as

> the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of—
>
> (1) competition between the owner of the famous mark and other parties, or
>
> (2) likelihood of confusion, mistake, or deception.

15 U.S.C. § 1127.

Nothing in this statutory text indicates that the capacity or ability of a mark to identify and distinguish goods and services is not lessened until proof of a tangible, economic harm is available. To the contrary, the Act provides that the owner of a famous mark *shall* be entitled to an injunction of a third party's commercial use of a mark if the use causes dilution of the mark's *distinctive quality*—not its economic value. Furthermore, dilution occurs when the capacity of a famous mark to distinguish the goods or services it identifies is lessened. That is all a trademark owner need prove under the Act. A trademark is an intangible asset, and it is logical that damage to it could be intangible as well. Indeed, the Act specifically contemplates that a noncompeting use of the famous mark can dilute its distinctive quality. 15 U.S.C. § 1127. If two products do not directly compete with one another, it is not likely that the dilutive use will siphon sales away from the trademark holder, leading to direct financial harm. Yet the statute clearly contemplates that such a use can in fact dilute the strength and significance of a famous mark.

Even the Fourth Circuit, which first advanced the argument that proof of actual harm was required, conceded that the requirement "does not leap fully and immediately from the statutory text." *Ringling Bros.-Barnum & Bailey Combined*

Shows, Inc. v. Utah Div. of Travel Dev., 170 F.3d 449, 453, (4th Cir. 1999), *cert. denied*, 528 U.S. 923 (1999). Thus, the statutory language itself does not support a claim that proof of actual injury to the economic value of the famous mark preconditions any and all relief under the Federal Trademark Dilution Act.

Petitioners (and some commentators) have suggested that, unless proof of actual economic harm is read into the FTDA, it would create a "right in gross" or lead to some kind of "patent on words," unlimited in time, that will harm competition and violate the First Amendment of the Constitution. But such suggestion is misplaced. Under the statutory scheme, dilution protection requires a three-step process. The first step determines whether a mark even qualifies for dilution protection, by focusing on the *consumers' perception* of the mark as a famous and unique indicator of goods and services. If the trademark owner cannot prove that the mark is famous and distinctive to the consuming public, then the mark is not entitled to protection under the statute. 15 U.S.C. § 1125(c)(1). Thus dilution protection exists only so long as a mark is "famous and distinctive" in the minds of the consuming public.

The second step determines whether the use is in fact dilutive of the famous mark, while the third step applies certain statutory exemptions designed to protect the fair use of the famous mark and First Amendment concerns. 15 U.S.C. § 1125(c)(1), (3). *See also, Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 902-07 (9th Cir. 2002) (finding use of the famous BARBIE trademark in the song "Barbie Girl" dilutive because it caused consumers to associate two different products with the mark (the doll and the song), but protected by the statutory exception for noncommercial (i.e. constitutionally protected) use.) This fundamental tying of dilution protection to consumer perception and the specific exceptions for fair use and constitutionally protected speech

limit the scope of protection afforded by the FTDA. As clearly seen in the *Mattel* case, a trademark owner cannot control every use of the mark by third parties. The FTDA does not create a "patent on words," but simply protects a famous trademark by preventing third parties from riding on its coat-tails, instead of making their own way. Thus, the statutory scheme set forth by Congress, taken as whole, balances the protection of consumers, competition, trademark owners, and free speech—without requiring proof of an economic injury.

II. A "LIKELIHOOD" OF DILUTION IS NOT SUFFICIENT

Some appellate courts appear to advocate that a "likelihood" of dilution is all that is necessary to receive relief under the FTDA. *Eli Lilly & Co. v. Natural Answers*, 233 F.3d 456 (7th Cir. 2000); *V Secret Catalogue v. Moseley*, 259 F.3d 464, 474-76 (6th Cir. 2001). This suggestion should be rejected as well. The statutory language is unambiguous—the mark's use must "cause dilution." 15 U.S.C. § 1125 (c)(1). But this language does not suggest that causation can only be proven through an economic calculation or an empirical measurement rather than from common sense, an understanding of the natural consequences of an action, or other types of logical proof or market evaluations.

Use of the term "likelihood" of dilution in the above decisions is really an unfortunate choice of words. In both cases, the circuit courts correctly understood and applied the concept of "dilution" per se. *Eli Lilly* recognized that "[d]ilution by blurring, the injury at issue here, occurs when consumers 'see the plaintiff's mark used on a plethora of different goods and services,' . . . 'raising the possibility that the mark will lose its ability to serve as a unique identifier of the plaintiff's product.'" 233 F.3d at 466 (quoting *Hormel Foods Corp. v. Jim Henson Prod., Inc.*, 73 F.3d 497, 506 (2d Cir. 1996), which quotes 3 *McCarthy on Trademarks and*

Unfair Competition § 24.13[1][a][i] (3d ed. 1995))). Similarly, the Sixth Circuit understood that unauthorized commercial use of a famous mark causes actual dilution when it concluded that "[t]his, then, is a classic instance of dilution by tarnishing (associating the Victoria's Secret name with sex toys and lewd coffee mugs) and by blurring (linking the chain with a single, unauthorized establishment)." *V Secret Catalogue*, 259 F.3d at 477.

But in describing the new concept of dilution, these courts clung to the familiar by using the language of trademark infringement. This unfortunate choice of words is not unusual in dilution analyses. See Kathleen B. McCabe, Note, *Dilution-by-Blurring: A Theory Caught in the Shadow of Trademark Infringement*, 68 Fordham L. Rev. 1827, 1850-54 (2000) (discussing how "[c]ourts frequently decide dilution claims using the language of infringement standards, resulting in a miscommunication of the court's analysis of the law"). However, the courts' use of the words "likelihood of"—the flagship words of infringement analysis—does not necessarily suggest that their underlying analysis was incorrect. Indeed, in each case, dilution of the famous mark was actually present and occurring. The courts simply used circumstantial and contextual factors rather than proof of tangible economic harm to determine whether or not the alleged activity caused dilution of the famous mark. *See Nabisco v. PF Brands, Inc.*, 191 F.3d 208 (2d Cir. 1999) ("If a junior user began to market Buick aspirin or Schlitz shellac, we see no reason why the senior users could not rely on persuasive circumstantial evidence of dilution of the distinctiveness of their marks without being obligated to show lost revenue or engage in an expensive battle of surveys. Plaintiffs are ordinarily free to make their case through circumstantial evidence that will justify an ultimate inference of injury. 'Contextual factors' have long been used to establish infringement. We see no reason why they should not be used to prove dilution.").

III. CONGRESS CLEARLY STATED THAT DILUTION MAY BE PROVEN IN A NUMBER OF WAYS

Dilution is a concept that courts have struggled with since it was first described, because it differs significantly from traditional trademark analysis. But once one accepts that dilution provokes the need for a different remedy, and was enacted to guard against a different harm, the concept becomes quite simple.

In adopting the dilution statute, Congress accepted the proposition that, absent some mitigating or equitable factors, the actual and inevitable result of a third party's use of a famous mark on different goods or services *is* the lessening of that mark's capacity to serve as a unique identifier of source. This approach to the proof of dilution is shown by several statements made throughout the legislative history. First, the legislative history noted that passage of the FTDA "would … create a federal cause of action to protect famous marks from unauthorized users that attempt to trade upon the good will and established renown of such marks *and, thereby*, dilute their distinctive quality." See H.R. Rep. No. 104-374, at 3 (1995), *reprinted in* 1995 U.S.C.C.A.N. 1029, 1030 (emphasis added). The legislative history went on to note that "[t]he concept of dilution recognizes the substantial investment the owner has made in the mark and the commercial value and aura of the mark itself, protecting both from those who would appropriate the mark for their own gain." *Id.*

This interpretation is reinforced by the legislative history's listing of "DUPONT shoes, BUICK aspirin, and KODAK pianos" as actual examples of dilutive uses. *Id.* Indeed, the language used in the report—that "DUPONT shoes, BUICK aspirin, and KODAK pianos *would be actionable* under this legislation," underscores Congress's acceptance of the proposition that the third party's unauthorized commercial use of a mark itself blurs, and thus dilutes, the distinctive quality of

the mark. *Id.* (emphasis added.) These examples were not listed as ones that might be actionable if the trademark owner could prove actual economic harm; they were listed as examples of dilution itself.

Furthermore, Congress provided for injunctive relief, which is intended to prevent irreparable harm, if the unauthorized use of a famous mark causes dilution of its distinctive quality. 15 U.S.C. § 1125(c)(1). Requiring proof of actual economic harm is inconsistent with Congress's intent when it selected injunctive relief as the primary remedy.

Finally, the legislative history's clearest explanation of dilution comes from its quotation of *Mortellito v. Nina of California, Inc.*, which stated:

> Dilution is an injury that differs materially from that arising out of the orthodox confusion. Even in the absence of confusion, the potency of a mark may be debilitated by another's use. This is the essence of dilution. Confusion leads to immediate injury, while dilution is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark.

335 F. Supp. 1288, 1296 (S.D.N.Y 1972). These explanations of dilution make clear that proof of immediate and quantifiable harm is not required to establish that an unauthorized use of a famous mark causes dilution. Rather, dilution occurs when a set of facts takes place, namely, the commercial use of a mark by another, which lessens the ability of a famous mark to serve as a unique identifier of source. Indeed, dilution of a mark's "distinctive quality" is diminished immediately upon commercial use by an unrelated third party—regardless of how imperceptible or seemingly inconsequential the initial effect may be.

CONCLUSION

The plain language of the statute's text, the legislative history (which reflects Congress's intent), and the underlying rationale for dilution all clearly show that proof of actual economic harm to the famous mark is not required to prove dilution. Rather, dilution occurs, and may be enjoined, whenever a third party commercially uses a famous and distinctive mark (or colorable imitation) without authorization.

For the reasons set forth above, *amicus curiae* Intellectual Property Owners Association respectfully requests that the Court affirm the judgment of the Court of Appeals.

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VICTOR MOSELEY and CATHY MOSELEY, d/b/a VICTOR'S LITTLE SECRET,

Petitioners,

v.

V SECRET CATALOGUE, INC., VICTORIA'S SECRET STORES, INC., AND VICTORIA'S SECRET DIRECT, LLC,

Respondents.

On Writ Of Certiorari To The United States Court Of Appeals For The Sixth Circuit

BRIEF *AMICI CURIAE* OF PUBLIC KNOWLEDGE, THE ELECTRONIC FRONTIER FOUNDATION, AND ADBUSTERS MEDIA FOUNDATION IN SUPPORT OF PETITIONERS

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STATEMENT OF INTEREST BY *AMICI CURIAE*[1]

This brief *amici curiae* in support of Petitioners is submitted by Public Knowledge, the Electronic Frontier Foundation and Adbusters Media Foundation ("*Amici*") pursuant to Rule 37 of the rules of this Court. *Amici* urge this Court to hold in favor of Petitioners and reverse the judgment of the Sixth Circuit.

Public Knowledge is a public-interest advocacy and research organization that works with diverse creators, consumers, civic groups and enlightened businesses to ensure that public access, creativity and competition are embodied in the digital age.

Adbusters Media Foundation is a global network of artists, writers, students, educators, entrepreneurs and activists who offer critical commentary on commercial culture through social activism.

The Electronic Frontier Foundation (EFF) is a non-profit, civil liberties organization working to protect rights in the digital world. EFF actively encourages and challenges industry and government to support free expression, privacy and openness in the information society. Founded in 1990, EFF is based in San Francisco and maintains one of the world's most linked-to Web sites, www.eff.org.

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[1] Letters from all parties consenting to the filing of this brief have been filed with the Clerk of this Court. No counsel for a party authored this brief in whole or in part, and no person or entity other than *amici curiae*, or their counsel made a monetary contribution to the preparation or submission of this brief. American University Washington College of Law, Glushko-Samuelson Intellectual Property Law Clinic Dean's Fellows Christianna Lewis, Gunther Oakey and Gene Park prepared this brief under the supervision of Professors Christine Haight Farley, Victoria Phillips, Joshua Sarnoff and Peter Jaszi, Counsel of Record.

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Amici are concerned with the grave speech implications of a broad reading of the Federal Trademark Dilution Act ("FTDA") of 1996.[2] *Amici* are primarily concerned with the public domain and maintaining access and use rights to information. *Amici* support the traditional balance of trademark law that protects speech by using the consumer confusion analysis as the benchmark for protecting trademarks. The FTDA, read broadly, will have an impact on the public at large in their civic speech concerning trademark holders, and on consumers in their search for information on goods and services. This undermines both the rationale for trademark protection and the safeguards intentionally put in place by Congress and recognized by this Court to protect speech from encroachment by intellectual property law. *Amici* offer analysis of the effects of a broad dilution standard and thus submit this brief to urge this Court to rule in favor of Petitioners and provide guidelines for lower courts to read the FTDA narrowly.

SUMMARY OF ARGUMENT

This Court should narrowly interpret the FTDA to avoid unnecessarily restricting speech and competition. Trademark law has always struggled to balance the trademark holder's rights with the public's speech rights. Primarily this has been achieved through the confusion doctrine, which has set the boundary on trademark holders' rights. Thus, unlike a monopoly, the rights of trademark holders extend only so far as to prevent confusion.

[2] 15 U.S.C. § 1127(c) (2002).

As in other areas of intellectual property law, the absence of certain rights is intentional and as important as the presence of other rights in the maintaining of an equitable balance. The FTDA, which creates a federal cause of action, fills a gap that represents an important element of the traditional balance in trademark law. Under the FTDA, the trademark holder has rights even where no confusion exists. This expansion of trademark law has radically tipped the balance in favor of trademark holders with no commensurate increase in public benefit.

The FTDA unduly restricts civic speech as it creates monopolies in words and other forms of expression, hurting citizens' ability to communicate and receive information. The pervasive nature of the commercial culture in American society makes trademarks a necessary part of effective civic commentary, especially regarding the trademark holder. The growing trend of courts to rule in favor of trademark holders when their marks are incorporated into speech chills civic speech. Specifically, dilution under the FTDA evokes grave freedom of speech concerns because it permits trademark holders to enjoin others' communications.

A broad reading of the FTDA also renders dilution a supplementary cause of action that mark holders can fall back on when they fail to meet the requirements for trademark infringement. Recognizing the dangerous impact such a broad interpretation of the FTDA could have on speech, courts have devised various methods to limit the scope of dilution. This could lead to the forum shopping the FTDA was enacted to prevent. Therefore, this Court should guide future federal dilution cases by establishing limitations supported by both the language of the FTDA and its legislative intent. These guidelines must also recognize the important speech concerns raised by

anything other than a narrowly drawn reading of the FTDA.

ARGUMENT

I. THE COURT SHOULD READ THE FTDA NARROWLY TO MAINTAIN THE EQUITABLE BALANCE OF INTERESTS IN TRADEMARK LAW THAT PROTECTS SPEECH.

A. Free Speech Is Protected by the Traditional Limitations on Trademark Rights, Particularly the Doctrine of Consumer Confusion.

Trademark law developed primarily to protect the interests of consumers in receiving reliable information about goods and services. This objective is accomplished by granting to the suppliers of such goods and services limited rights to regulate the misleading use of their brands and associated symbols. However, such a grant of rights has the potential to impinge upon the ability of society at large to communicate and receive information. Therefore trademark law places purposeful limitations on the rights of the trademark holder. Trademark holders do not "own" marks in the traditional property sense, but rather have limited rights in marks. These rights are only enforceable in situations where another's use is likely to cause confusion.[3] These limited rights endure so long as the mark is used continuously in commerce to indicate a

[3] *See* 2 J. Thomas McCarthy, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION §2:32 (explaining that the limited, quasi-property right of trademark holders has extended from tort, rather than property law).

source to the consuming public, and can be lost if the holder fails to police the mark[4] or abandons it.[5]

This Court has consistently found that trademark rights are not rights in gross, but are only appurtenant to the related business use.[6] This proposition is served by the likelihood of confusion standard, which alleviates the tension between the specific interests of consumers and the broader free speech interest of the public in general.

The confusion doctrine serves as an important limitation that maintains the balance of trademark law. It creates an intentional gap in the law that is designed to ensure that trademark law does not intrude excessively upon protected speech. Trademark law, like any laws that place restrictions on the free circulation of information, must necessarily be sensitive to the speech guarantees of the First Amendment. The recognition of the public's right to access information has mandated that any set of such potentially encroaching laws incorporate a free speech "safety valve."[7]

One of the most fundamental elements of free speech in American society is the right to access information. This Court has recognized the availability of information as critical to democratic self-governance.[8] Intellectual

[4] *See* 2 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 18:15.

[5] 15 U.S.C. §1125 (2002).

[6] *See e.g., Prestonettes, Inc. v. Coty*, 264 U.S. 359, 368 (1924) (finding that owner's rights extended only insofar as it prevents confusion), *citing United Drug Co. v. Theodore Rectanus Co.*, 248 U.S. 90, 97 (1918).

[7] *See* Neil Netanel, *Locating Copyright Within The First Amendment Skein*, 54 STAN. L. REV. 101, 111 (2001).

[8] *See New York Times Co. v. United States*, 403 U.S. 713, 717 (1971) (finding that the public, through its surrogate the press, has a right to

(Continued on following page)

property laws that facially restrict the flow of information, such as copyright and patent law, are designed to grant authors and inventors an economic incentive to innovate for the public good. But these rights are limited with the objective of making the information embodied in such innovations available to the public. Copyright[9] and patent.[10] recognize the social benefit of a robust public domain and public access to useful information.

Relying on a balance between private incentive and public benefit, Congress and the courts have consistently been mindful of the inherent dangers in extending intellectual property rights to create monopolies over words, images, expressions and innovations. To ensure that exclusive rights did not overwhelm public benefit, Congress has imposed substantial limitations on these rights. In copyright law, these limitations include the idea/expression dichotomy,[11] the limited copyright term,[12] the fair use doctrine[13] and the originality requirement.[14] In

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access information, and emphasizing that, "[i]n the First Amendment, the Founding Fathers gave the free press the protection it must have to fulfill its essential role in our democracy").

[9] *See Sony Corp. v. Universal City Studios Inc.*, 464 U.S. 417, 431 (1984), *quoting Fox Film Corp v. Doyal*, 286 U.S. 123, 127 (1932) (explaining that the ultimate aim of the limited statutory monopoly provided by the Copyright Act was, "by this incentive, to stimulate the artistic creativity for the general public good").

[10] *See Aranson v. Quick Point Pencil Co.*, 440 U.S. 257, 264 (1979) (explaining that a central tenet of patent law is to assure that ideas in the public domain remain there for the free use of the public).

[11] *See Baker v. Selden*, 101 U.S. 99, 103 (1880) (emphasizing the clear distinction between a book and the art it is intended to illustrate).

[12] 17 U.S.C. §§ 302-303 (2002).

[13] 17 U.S.C. § 107 (2002).

[14] 17 U.S.C. §102(a) (2002).

patents, examples include the high standard of novelty,[15] the short term of protection[16] and the scope of the rights.[17]

The balance in trademark law has traditionally been sustained by the confusion doctrine and the limitations on the scope of subject matter that can be protected. These limitations are particularly important in maintaining the balance of trademark law because the Lanham Act[18] does not subject trademarks to the many limitations that apply to copyrights and patents. Furthermore, trademarks do not have finite terms. Because of these differences, any expansion of trademark rights raises urgent First Amendment concerns.

B. The Expansion of Trademark Law Has Increasingly Tipped the Balance in Favor of Trademark Holders.

Over the past two decades, Congress and the courts have radically expanded the scope of trademark protection. This expansion of trademark rights is inconsistent with trademark's primary function of protecting consumers against confusion. In addition, it threatens the

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[15] *See Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 159 (1989) (declaring that the requirements of non-obviousness and novelty were high standards).

[16] 35 U.S.C. §154(a)(2) (2002) (stating that a patent is in force for twenty years minus the time the patent spent in application).

[17] Patent infringement claims are limited by the doctrine of literal infringement, *see, eg., Roton Barrier, Inc. v. Stanley Works*, 79 F.3d 1112, 1125 (Fed. Cir. 1996), and the doctrine of equivalents, *Winans v. Denmead*, 56 U.S. 330 (1853)

[18] 15 U.S.C. § 1052 (2002).

traditional balance that is the keystone of all intellectual property law.

Some lower courts have expanded the traditional inquiry of likelihood of confusion to take into account the confusion of third parties who may observe the product as used by the purchaser.[19] Courts have liberally construed this type of "once-removed," post-sale confusion and found it sufficient as a basis for finding against the defendant, even where no confusion was found on the part of actual consumers. Likewise, courts have occasionally expanded the confusion doctrine to include situations of "initial interest confusion" where the initial confusion is remedied at the time of sale.[20]

In addition, Congress has made protection more widely available by lowering the standard for determining what constitutes "use." Previously, the use requirement of the Lanham Act was interpreted to mean a specific *bona fide* use in interstate commerce.[21] Congress has become increasingly permissive with this definition by allowing for protection based on intent to use,[22] and constructive use.[23]

Over the years, Congress has tended to treat trademark rights as full-fledged property rights in gross, and

[19] *See Payless Shoesource, Inc., v. Reebok Int. Ltd.*, 998 F.2d 985 (10th Cir. 1993); *See also Foxworthy v. Custom Tees, Inc.*, 879 F. Supp. 1200 (N.D.Ga. 1995).

[20] *See, e.g., Blockbuster Entertainment Group, Div. of Viacom, Inc. v. Layco, Inc.* 869 F. Supp. 505 (E.D. Mich. 1994).

[21] *See Clairol, Inc. v. Holland Hall Products, Inc.*, 165 U.S.P.Q. 214 (TTAB 1970) (requiring a usage that is more than merely sporadic, nominal or intended solely for trademark maintenance); *quoted in Proctor and Gamble v. Johnson & Johnson*, 485 F. Supp. 1185, 1206 (S.D.N.Y. 1980).

[22] 15 U.S.C. §1051(a) (2002).

[23] 15 U.S.C. §1057(c) (2002).

has become increasingly receptive to the idea that simply because a trademark holder has invested in a mark, it deserves a right that is the functional equivalent to a monopoly in that mark.[24] The Lanham Act places few limitations on the subject matter of trademark, and trademark holders are testing its outer limits to extract as much protection as possible for their marks. There is every indication that trademark holders are taking advantage of the amorphous nature of subject matter like trade dress[25] to push the boundaries of protection beyond what can be justified by trademark's original goal of preventing consumer confusion.[26]

Congress has further contributed to this relentless "creep" of trademark law with the passage of such legislative acts as the Anti-Cybersquatting Consumer Protection Act.[27] This Act strays from traditional trademark law by rejecting the confusion doctrine in favor of a test that relies solely on the bad faith of the defendant. Because it relies on a test of bad faith instead of confusion, the Act has no clear boundaries or standards, which is particularly dangerous in light of the fact that an imprecise line of distinction exists between bad faith and legitimate, innovative Internet marketing techniques. Contrary to its title, this Act goes against consumer protection by shifting the

[24] *See* Kenneth L. Port, *The "Unnatural" Expansion of Trademark Rights: Is a Federal Dilution Statute Necessary?*, 18 SETON HALL LEGIS. J. 433, 484 (1994).

[25] *See Rock & Roll Hall of Fame and Museum v. Gentile Productions*, 134 F.3d 749, 751 (6th Cir. 1998) (refuting a claim by plaintiff that various two-dimensional rendering of a building can be protected by trademark law).

[26] *See Id.*

[27] 15 U.S.C. § 1125(d)(1) (2002).

analysis away from the consumer confusion standard, and allows the chilling of commercial and satirical ventures on the Internet.[28]

The most dramatic example of this incremental but steady expansion of trademark protection is the Federal Trademark Dilution Act. The right of anti-dilution was created explicitly to fill a gap in the law by providing a right of action where the trademark holder could not show a risk of consumer confusion. Professor Frank Schechter introduced the concept of trademark dilution in his 1927 Harvard Law Review article, arguing that famous and distinctive marks were threatened by their use on non-competing goods and services where there was no resulting confusion.[29] His fear was that the singular association in the mind of the public between the famous mark and the mark holder could be "blurred" by non-confusing, non-competitive uses, thus diminishing the distinctive nature of the mark. This argument assumes that a consumer cannot retain two or more thoughts regarding the association of a mark.

However questionable this assumption, anti-dilution law protects a value, the marketability or advertising quality of a mark, that is not recognized by traditional trademark law.[30] Trademark law maintains the balance

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[28] *See Morrison & Foerster, LLP v. Wick*, 94 F. Supp. 2d 1125, 1130 (D. Colo. 2000) (focusing on whether a defendant has acted with a bad faith with intent to profit from the use of a mark); *see also Sporty's Farm LLC v. Sportsman's Market, Inc.*, 202 F.3d 489, 496 (2d. Cir. 1986); *People for Ethical Treatment of Animals, Inc. v. Doughney*, 113 F. Supp.2d 915, 921 (E.D. Va. 2000).

[29] *See* Frank Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813 (1927), *reprinted in* 60 TMR 334 (1970).

[30] *See Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co.*, 316 U.S. 203, 205 (1942).

between consumers and trademark holders by affording the latter only limited control over the use of protected marks. The new anti-dilution cause of action creates a property right in the mark itself, without proper limits. Construed broadly, this new right effectively expands trademark protection to afford a semblance of monopoly in the mark. Those first to establish their rights in a mark, the "senior users," can enjoin others, or "junior users," from employing a similar mark without considering consumer protection. Thus, dilution may unnecessarily tip the balance of protection in favor of those who hold the strongest, and therefore most protected,[31] marks at the expense of a wide range of valuable speech, and with no countervailing benefit to the public.

II. THE COURT SHOULD READ THE FTDA NARROWLY TO LIMIT THE DANGER TO SPEECH POSED BY THE EXPANSION OF TRADEMARK LAW.

A. Dilution Law Creates Monopolies in Words and Other Expressive Subject Matter, and Thereby Unduly Restricts Speech.

Dilution law creates indefinite monopolies in expressive subject matter and obstructs the public's ability to freely engage in a democratic dialogue.[32] The First Amendment has always provided staunch protection for

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[31] Some courts have noted that the "strength of the mark" is one of the most influential factors in an infringement test. *See, e.g., AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 349 (9th Cir. 1979) ("a strong mark is afforded the widest ambit of protection. . . .")

[32] *See Cohen v. California*, 403 U.S. 15, 26 (1971) (recognizing that the elimination of particular words poses a substantial risk of suppressing ideas in the process).

civic speech, and this Court has recognized that First Amendment protection extends to commercial speech as well, albeit to a lesser extent.[33] Because the first two attempts to pass federal anti-dilution legislation failed due to concerns that it would suppress constitutionally protected speech, Congress was aware of the potentially serious damaging effects that dilution could have on freedom of expression.[34] Thus the FTDA does explicitly recognize a limited fair use exception for comparative advertising, and others for non-commercial use, news reporting and commentary. However, these exceptions are extremely narrow in scope as they have been interpreted by the courts. In comparison, for example, the fair use exception in copyright law is far broader, as noted earlier.[35] To protect speech, this Court should provide guidelines directing that exceptions to the FTDA should be read broadly.

B. Dilution Law Has a Particularly Harmful Effect on Civic Speech with Any Commercial Element.

In general, the FTDA does not distinguish between pure commercial speech that has no purpose except to

[33] *See Va. State Bd. of Pharmacy v. Va. Citizen's Consumer Council, Inc.*, 425 U.S. 748, 757 (1976) (recognizing the public's need for information about the pharmaceutical market in order to make informed policy and consumer decisions).

[34] 141 CONG. REC. H14318 (daily ed. Dec. 12, 1995) (remarks of Rep. Moorehead).

[35] *Compare Harper & Row Publishers, Inc. v. Nation Enter.*, 471 U.S. 539, 556 (1989) (describing the relevant factors as to what is fair use under copyright law), *with United States Shoe Corp. v. Brown Group, Inc.*, 923 F.2d 844 (2d Cir. 1990) (discussing the limited exceptions for fair use in trademark law).

propose a transaction and civic speech that has some commercial aspect. Prior to the FTDA, the Lanham Act only provided relief to the trademark holder where a likelihood of confusion could be found. This hallmark of infringement analysis afforded a modicum of protection to speech of a mixed civil/commercial character, including critical speech.

For example, under trademark confusion analysis, a court would not be likely to find that a meaningful portion of consumers would assume that a well-known company was in some way responsible for or affiliated with the use of its trademark on T-shirts and bumper stickers sold in support of a labor protest by its workers. However, anti-dilution law has shifted the judicial inquiry away from the confusion doctrine, discounting the civic nature of speech and focusing on its commercial character to assess liability.

The focus on commercial use as a benchmark test of liability is particularly troublesome because the FTDA's exception for non-commercial use relies on a bright line between civic and commercial speech, only protecting the most pristine forms of civic speech and condemning civic speech with even the slightest commercial element.[36] This overly technical adherence to the distinction between commercial speech and civic speech appears to be in

[36] Previous cases have demonstrated that civic speech tainted with magazine sales, *Anheuser-Busch, Inc. v. Balducci Pub.*, 28 F.3d 769, 775 (8th Cir. 1994), or T-shirt sales, *Mutual of Omaha Insurance Co. v. Novak*, 836 F.2d 397, 402 n.8 (8th Cir. 1987), are not deemed "non-commercial" speech by the courts. This approach was intended by Congress to be carried forward into the FTDA. See H.R. REP. NO. 104-374, at 4 (1995).

tension with this Court's recent recognition of the dwindling distinction between these two constitutionally protected forms of speech.[37]

Reliance on such a "bright line" distinction ignores the fact that effective speech is rarely without some commercial component. Many activist groups rely on the income created by selling T-shirts, stickers and books to fund their work, and their websites may use banner ads to pay for maintaining the site. Yet, under the FTDA, critical websites or articles that generate incidental revenue either through advertising or merchandise sales still could be found sufficiently commercial to be subject to an injunction. This treatment has the potential to nullify the expressive use of trademarks in speech that mixes civic and commercial elements.

An example is *amicus*, the Adbusters Media Foundation and its magazine, Adbusters. This publication features advertisement parodies, known as "subvertisements," which use trademarks and corporate logos to create awareness about social and political issues. For example, one issue featured "Joe Chemo," a parody of the "Joe Camel" character used by Camel cigarettes, to raise

[37] *See United States and Department of Agriculture v. United Food, Inc.*, 533 U.S. 405, 418 (2001) (where Justice Thomas noted in his concurrence with this Court that, "paying money for the purposes of [truthful] advertising involves speech and that compelling speech raises a First Amendment issue just as much as restricting speech. Any regulation that compels the funding of advertising must be subjected to the most stringent First Amendment scrutiny"); *see also Campbell v. Acuff-Rose Music Inc.*, 510 U.S. 569, 585 (recognizing the difficulty in finding a clear line of distinction, but nonetheless held that the commercial nature of a copyright parody does not render the Copyright Act's statutory fair use doctrine inapplicable).

awareness of the health issues surrounding smoking.[38] These parody ads represent a type of important civic speech that makes critical commentary on the mark holder, furthering the traditional goals of trademark law by giving the consumer information on the goods and services they purchase. Yet while predominantly civic in nature, the commercial element of the magazine would mean that its critical speech could be silenced under the FTDA.

From its inception, the United States has had a democratic tradition of using satire and parody to lampoon the wealthy and powerful and criticize public entities including business concerns. Like other forms of critical civic speech, parody enjoyed a measure of protection prior to the FTDA, since an effective parody necessarily avoided confusion in conveying its message. Whereas the truthful parodist or the critic may have escaped liability under a straightforward infringement analysis, it is unlikely that such a vindication would result under the FTDA because of its strict treatment of civic speech that is nominally "commercial."

Dilution also chills the pure commercial speech of actual or potential new businesses by erecting far-reaching, impregnable fences around the strongest marks, at the expense of new market entrants. This would effectively chill the latters' First Amendment rights to communicate in connection with competition in the marketplace, as many would be reluctant to cultivate a mark similar to

[38] *See* Adbusters, *Joe Chemo Ad*, No. 15, Adbusters Media Foundation (Autumn 1997); *see also* Adbusters, *Spoof Ads: Tobacco*, Adbusters Media Foundation *at http://adbusters.org/spoofads/tobacco/* (June 4, 2002) (For this example, see appendix).

an existing one, regardless of the absence of competition between the products involved, for fear of litigation.

Although the commercial quality of a junior use may be a relevant inquiry in dilution analysis, a more salient concern is the critical issue of free expression.[39] As Ninth Circuit Judge Kozinski noted, "[i]n our pop culture where salesmanship must be entertaining and entertainment must sell, the line between commercial and non-commercial speech has disappeared."[40] Although Congress characterized the non-commercial use exception included in the FTDA as adequate to accommodate First Amendment concerns, case law construing the Act has hardly vindicated this optimistic appraisal.

C. Dilution by Tarnishment Evokes Grave First Amendment Concerns Because It Provides an Excessive Injunctive Remedy to Trademark Holders.

The FTDA poses a further constitutional concern by allowing a claim for dilution not only by "blurring," but by so-called "tarnishment" as well: "Tarnishment generally arises when the plaintiff's trademark is linked to products of shoddy quality, or is portrayed in an unwholesome or unsavory context likely to evoke unflattering thoughts about the owner's product."[41] Dilution by tarnishment

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[39] Anthony Pearson, *Commercial Trademark Parody, The Federal Trademark Dilution Act, and the First Amendment*, 32 VAL. U.L REV. 973, 979 (1998).

[40] *White v. Samsung Elecs. Am., Inc.*, 989 F.2d 1512, 1519 (9th Cir. 1993) (Kozinski, J., dissenting from the denial of rehearing *en banc*).

[41] *Deere & Company v. MTD Products, Inc.*, 41 F.3d 39, 43 (2d Cir. 1994).

provides trademark holders with yet another cause of action to silence unfavorable critical speech.

Taken in conjunction with the general lack of safeguards for critical speech and parody in the FTDA, it is not difficult to foresee that any unwelcome reference to a trademark could potentially be held violative of the statute on tarnishment grounds. In addition to suppressing civic speech that is nominally commercial, a broad application of dilution by tarnishment also chills pure commercial speech. This Court has recognized the value of commercial speech and held that First Amendment protection extends to it as well.[42] However, the dilution by tarnishment claim chills commercial speech. For example, in *Deere v. MTD*[43] the Second Circuit found dilution by tarnishment where a competitor showed Deere's trademark, a running deer, fleeing from the competitor's tractor.

What the *Deere* court and others have failed to recognize is that trademarks have a huge impact on our shared culture. Through advertisements, commercials, and other promotional efforts by mark holders, trademarks have become essential to the communication about the particular good or service,[44] often representing the most effective means by which to state a position.[45]

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[42] *See Va. State Bd. of Pharmacy v. Va. Citizen's Consumer Council, Inc.*, 425 U.S. 748, 761 (1976).

[43] *Deere & Company.*, 41 F.3d 39.

[44] Rochelle C. Dreyfuss, *Expressive Genericity: Trademarks as Language in the Pepsi Generation*, 65 NOTRE DAME L. REV. 397 (1990).

[45] *See Meyer v. Grant*, 486 U.S. 414 (1988) (stating that the First Amendment not only protects the right to advocate a cause, but also the right to select the most effective means to do so).

III. A DECISION BY THIS COURT TO READ THE FTDA NARROWLY WOULD UPHOLD THE ESTABLISHED BALANCE THAT PROTECTS SPEECH IN TRADEMARK LAW.

The FTDA has produced a conflict among the Circuits that will be reduced by an appropriate construction of the statute to alleviate the burdens on speech. We urge this Court to adopt the several approaches suggested here in reading the FTDA narrowly. Only by limiting the scope of the FTDA can courts avoid the chilling of many types of valuable speech.

A. The Variety of Circuit Court Interpretations of the FTDA Demonstrates Serious Problems with this Act.

Circuit courts have attempted to maintain the balance of trademark law by limiting the scope of the FTDA. In their efforts to construe the FTDA, courts have used different means to limit its scope. The strikingly different readings of the Fourth and Second Circuits are examples of this search for meaningful limitations on an otherwise monopolistic right.

In *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Div.*,[46] the Court of Appeals for the Fourth Circuit was wary of the broad rights granted in the FTDA. There the court, reacting to the absence of any meaningful test in the FTDA to limit its application, seized

[46] 170 F.3d 449, 455 (4th Cir. 1999) (finding that "[s]ome courts, and numerous commentators, expressed fear that the uncertain limits of the antidilution cause of action would unduly expand the ability of trademark owners to monopolize language and inhibit free competition.")

on a requirement that plaintiffs demonstrate some kind of concrete harm.[47] Thus the court found that "the [FTDA] proscribes and provides remedy only for actual, consummated, dilution. . . . "[48] This "actual harm" standard, significantly reins in the rights of trademark holders under the FTDA.

The Court of Appeals for the Second Circuit in *Nabisco v. Pepperidge Farms Brands*[49] was critical of the actual harm standard because it requires plaintiffs to suffer injury before bringing suit. The court agreed with the Fourth Circuit that the FTDA should be read narrowly.[50] However, the Second Circuit viewed dilution as an irreparable harm for which injunctive relief is available; therefore it concluded that an action should lie prior to any actual injury.

Like the Fourth Circuit, the Second Circuit was determined to devise a rigorous test for dilution. To do so, it developed a factor test for the likelihood of harm by dilution.[51] Unfortunately, the Second Circuit unwittingly incorporated a confusion analysis in its standard.

The Second Circuit's interpretation of the FTDA is problematic because it disregards the intent of Congress by inserting a confusion analysis in the Act. This likelihood of harm standard is dangerous because it allows trademark owners to use dilution under the FTDA as a

[47] *See id.* at 457.

[48] *Id.* at 458.

[49] *Nabisco v. P.F. Brands*, 191 F.3d 208, 216 (2d Cir. 1999).

[50] *See id.* at 216 (stating that a mark must be both famous and distinctive, and that, "[a] mark that, notwithstanding its fame, has no distinctiveness is lacking the very attribute that the antidilution statute seeks to protect").

[51] *Id.* at 215.

"tack-on" cause of action where the likelihood of confusion standard of traditional trademark law cannot be met.[52]

For its part, the Eighth Circuit in *Viacom* properly recognized that dilution must be applied narrowly, lest it become a rogue law that "turns every trademark, no matter how weak, into an anti-competitive weapon."[53] This Court should construe the FTDA narrowly, subject to the following criteria derived from the language of the FTDA and the underlying legislative intent.

B. The FTDA Requires Plaintiff to Prove Both Fame and Distinctiveness.

Congress intended dilution protection only to apply to marks that are both distinctive *and* famous. Requiring proof of these as separate elements will narrow the scope of the FTDA to those marks that truly deserve dilution protection.

The FTDA expressly requires plaintiff's mark to be both "distinctive and famous."[54] Under the rules of statutory interpretation, "a court should 'give effect, if possible, to every clause and word of a statute.'"[55] Therefore, the terms distinctive and famous must be read as essential, separate elements.

Distinctiveness is better understood as relating to the inherent qualities of the mark, as one that is either

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[52] *See Times Mirror Magazine v. Las Vegas Sports News*, 212 F.3d 157, 179 (3d Cir. 2000).

[53] *See Viacom Inc. v. Ingram Ent.*, 141 F.3d 886, 891 (8th Cir. 1998), quoting 3 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 24.91, at 24-119.

[54] *See* 15 U.S.C. § 1125(c)(1) (2002).

[55] *United States v. Menache*, 348 U.S. 528, 538-539 (1955), *quoting Montclair v. Ramsdell*, 107 U.S. 147, 152 (1883).

fanciful or arbitrary. Indeed, the concept of inherent distinctiveness is well established in trademark jurisprudence.[56] A mark's fame, by contrast, is a matter of public attitude or perception. Thus, the Court of Appeals for the Second Circuit has stated that, "[d]istinctiveness in a mark is a characteristic quite different from fame."[57]

The Second Circuit also has held that a mark is precluded from gaining the protection provided by the FTDA unless it is inherently distinctive.[58] Since the FTDA protects against the mark's "distinctive quality," trademark owners seeking protection under the Act must establish that their marks possess such a quality, in addition to fame, in order to claim dilution.[59]

Not all famous marks are distinctive. Fame is determined by the "famousness factors."[60] Distinctiveness is only one of these factors, which also include the degree of recognition in the mark, the duration and extent of advertising, and the geographical extent in which the mark

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[56] *See Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4 (2d Cir. 1976); 2 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 11:4.

[57] *See Nabisco v. P.F. Brands*, 191 F.3d 208, 216 (2d Cir. 1999) (stating that "It is quite clear that the statute intends distinctiveness, in addition to fame, as an essential element").

[58] *TCIP Holding Co., v. Haar Communications, Inc.*, 244 F.3d 88, 93 (2d Cir. 2001)

[59] *See Nabisco*, 191 F.3d at 216 (stating that a mark, notwithstanding its fame, that has no distinctiveness is lacking the very attribute the anti-dilution statute seeks to protect.)

[60] 15 U.S.C. § 1125(c)(1)(A)-(H) (2002).

is used.[61] While some courts have recognized that distinctiveness is just one factor in the fame test,[62] others have erroneously granted famous marks automatic distinctiveness.[63] By conflating these elements, these courts act contrary to the clear language of the Act.

C. The FTDA Requires That Marks Be Famous in the General Marketplace Rather Than Merely in Niche Markets.

Congress intended that courts should interpret the FTDA to apply only to marks that have acquired general fame, not marks that are simply "well-known"[64] in a particular market segment or among a particular specialized group of consumers. The only market-related criterion the FTDA explicitly identifies in connection with "famousness" is the "geographical extent of the trading area in which the mark is used."[65] This geographical market definition should not be interpreted to allow famousness in a niche market to qualify a mark for dilution protection.

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[61] 15 U.S.C. 1125(c)(1) (2002).

[62] *See Nabsico v. P.F. Brands,* 50 F. Supp. 2d 188, 215 (S.D.N.Y. 1999).

[63] *See Times Mirror Magazines,* 212 F.3d at 167.

[64] *See Agreement on Trade-Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods*, art. 16, Dec. 15, 1993, 33 I.L.M. 81 (employing "well-known" to designate marks that have attained a high level of recognition in a particular sector. Congress was aware of this language choice as TRIPS was recently concluded at the time the FTDA was enacted).

[65] 15 U.S.C. 1125(c)(1)(D) (2002).

Nothing in the legislative history of the FTDA supports the "niche fame" theory.[66]

Fame is determined by the "famousness factors" listed in the FTDA, which analyze the degree of secondary meaning achieved.[67] In his dissenting opinion, Judge Barry of the Third Circuit recognized in *Times Mirror Magazines v. Las Vegas Sports News, L.L.C.*[68] that the FTDA was intended to apply only to truly famous marks. He warned that the FTDA would surely "devour" trademark infringement law "if marks can be 'famous' within some market," irrespective of "how narrowly that market is defined."[69]

Courts generally agree that only truly famous marks, established by the famousness factors, deserve protection.[70] However, some have been willing to protect marks that are famous only in a niche market even though the clear language of the FTDA does not authorize such protection.[71] Limiting dilution protection to marks that are famous in the general marketplace rather than merely in niche markets will narrow the category of marks entitled to this expansive right and thereby protect speech.

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[66] Indeed, the illustrative examples of FTDA protected marks, such as Dupont, Kodak, and Buick, were all nationally famous. 141 CONG. REC. S.19310 (daily ed. Dec. 29, 1995) (remarks of Sen. Hatch.).

[67] *See* 15 U.S.C. § 1125(c)(1)(F) (2002).

[68] *See Times Mirror Magazines*, 212 F.3d at 174 (Barry, J., dissenting) (claiming that the FTDA only applies to marks that have achieved national fame).

[69] *See id.*

[70] *See Viacom Inc.*, 141 F.3d at 888. (stating that the FTDA protects famous marks); *See e.g., Nabisco,* 191 F.3d at 216; *Eli Lilly & Company v. Natural Answers, Inc.,* 233 F.3d 456 (7th Cir. 2000).

[71] *See Times Mirror Magazines,* 212 F.3d at 174.

D. Congress Intended That the FTDA Only Apply Where the Goods Are Non-Competing.

Congress intended for dilution law to apply only to goods and services that are non-competing. The legislative history of the Act refers back to Professor Schechter's famous article and explicitly notes that it proposed a right in the case of non-competing goods.[72] While the FTDA does not explicitly state that marks involved in dilution claims must be non-proximate, Congress did make this requirement very clear in the illustrative examples cited in the legislative history. Such actionable marks included DUPONT shoes, BUICK aspirin and KODAK pianos.[73] These examples demonstrate that the FTDA was intended only to protect marks that were non-proximate.

By limiting dilution to only non-proximate goods and services this Court will help ensure that dilution protection is not overbroad. Moreover, adopting this requirement prevents an overlap of dilution and traditional confusion-based infringement claims. Trademark holders may require special anti-dilution protection where their mark is being used on non-competing goods; the less proximate goods are to each other, the less likely it is that a consumer will be confused into concluding that they stem from the same source. Competitive uses, which are more likely to lead to confusion, should be regulated solely under traditional trademark law.

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[72] 141 CONG. REC. H14317 (daily ed. Dec. 12, 1995) and S.19310 (daily ed. Dec. 29, 1995) (remarks of Rep. Moorehead and Sen. Hatch, referring to Schechter, 40 Harv. L. Rev. 813).

[73] See H.R. REP. NO. 104-374, at 3 (1995).

E. The FTDA Requires That Violative Marks Must Be Identical to Protected Marks.

The FTDA requires plaintiff's and defendant's marks to be identical in order to come within the Act. The plain language of the Act states that "subsequent, unauthorized commercial use *of a mark*" is "prohibited."[74]

Congress intended that an action should be available only when the protected mark itself has been used. Since dilution provides the functional equivalent of monopoly rights in words and symbols, it must be strictly limited. Without such a limitation, dilution and infringement causes of action would overlap, broadening the reach of both dilution and the confusion doctrine at the expense of protected speech. Requiring that marks be identical is a logical limit in dilution law because trademark holders already enjoy protection from merely similar marks under trademark infringement.

F. Congress Intended That the FTDA Only Apply to Marks that Signify Something Singular, Unique and Particular.

Congress intended that the FTDA only apply to marks with a singular meaning in order to limit the type of marks that can receive this protection, and thus protect speech against the chilling effect of dilution claims. The House Report on the FTDA states that dilution occurs when the unauthorized use of a mark reduces the public's perception that the mark signifies something "unique,

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[74] 15 U.S.C. §1125(c) (2002) (Italics added). Had it intended otherwise, Congress could have referred, as it has elsewhere in the Lanham Act, to a "colorable imitation." *See, e.g.*, 15 U.S.C. §§ 1114, 1116, 1118, 1127 (2002).

singular or particular."[75] In his seminal article, Professor Schecter argued that the preservation of a trademark's singular meaning should constitute the only rational basis for its protection.[76] With this category of "super marks" in mind, Congress intended to limit this right in order to ensure that trademark holders were prevented from exercising control over language itself. Underlying the limiting principle of singularity was the recognition that a dilution action effectively awards the trademark holder a monopoly in the use of the mark, which can have a chilling effect on civic and commercial speech, unless appropriately checked.

In *Viacom Inc. v. Ingram Enterprises, Inc.*,[77] the Eighth Circuit recognized that the word "Blockbuster" had several meanings and therefore, did not merit dilution protection. The court stated, "the fact that Viacom is seeking a complete monopoly on the use of rather a common word with multiple meanings would make us hesitate to uphold summary judgment. . . ."[78] The Eighth Circuit thus recognized the damaging effect dilution could have on language and it appropriately limited the plaintiff's ability to restrict others' use of a common term. Delta Faucets, Delta Dental and Delta Airlines may all be famous marks, however their lack of singularity should bar them from receiving dilution protection.[79]

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[75] H.R. REP. NO. 104-374 at 3 (1995).

[76] *See* Schechter, 40 HARV. L. REV. 813.

[77] 143 F.3d 886 (8th Cir. 1998).

[78] *Viacom Inc. v. Ingram Enters. Inc.*, 143 F.3d 886, 892 (8th Cir. 1998).

[79] This is a separate requirement from the requirement that the mark be inherently distinctive. As the Delta example illustrates, a

(Continued on following page)

G. This Court Should Recognize Equitable Principles in Granting a Dilution Cause of Action To Limit the Rights Granted by the FTDA.

Even after the plaintiff has demonstrated all of the essential elements of dilution, a court must analyze whether an injunction would be fair and reasonable considering all the circumstances of the case. The FTDA states that the plaintiff's rights are "subject to the principles of equity."[80] Therefore, even though all of the elements are demonstrated, equity may dictate that the relief sought not be granted. In situations where the junior use is *de minimus* and therefore not likely to harm the senior user, an injunction is inappropriate.

The Eighth Circuit recognized this additional limitation in the FTDA and stated that relief was "subject to the discretion of the court and the principles of equity."[81] It determined that when the use was otherwise lawful and resulted in the acquisition of a valuable and legitimate property interest without harm or confusion to the senior user's mark, it would be inequitable for a court to grant relief in an anti-dilution action.[82]

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mark can be famous, arbitrary and still unsuitable for protection under the FTDA.

[80] 15 U.S.C. § 1125(c)(1) (2002); *see supra* note 53, and accompanying text.

[81] *Viacom*, 141 F.3d at 890.

[82] *See id.*

CONCLUSION

For the forgoing reasons, *Amici* respectfully urge this Court to limit the FTDA to marks that are inherently distinctive, singular in meaning, identical to the accused mark and used on non-proximate goods where equitable principles dictate relief. Upholding these limitations will help to ensure that the FTDA does not unnecessarily encroach upon free speech.

Respectfully submitted,

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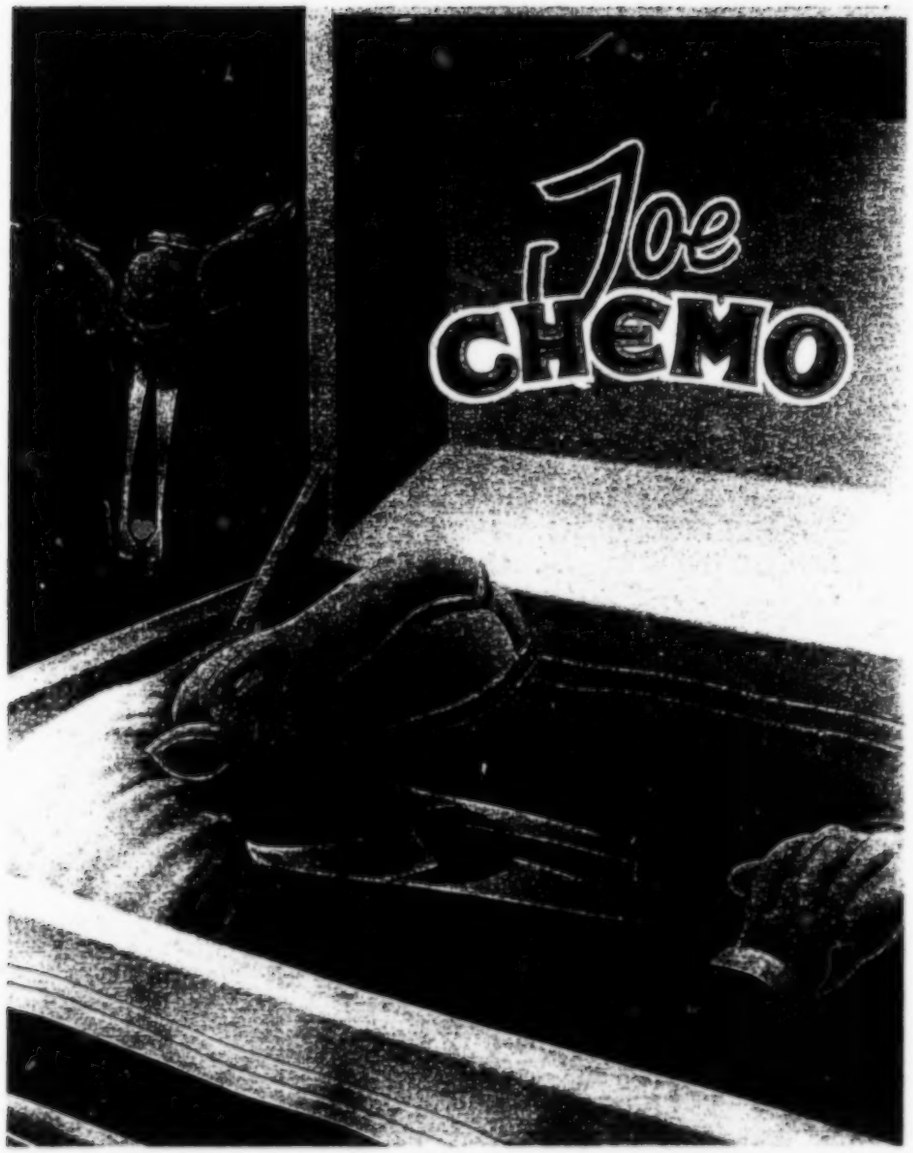
APPENDIX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